MINNESOTA HOUSING

MEETINGS SCHEDULED FOR DECEMBER

Minnesota Housing
400 Wabasha Street N. Suite 400
St. Paul, MN 55102

THURSDAY, DECEMBER 16, 2021

Regular Board Meeting
1:00 p.m.

Conference Call

Toll-free dial-in number (U.S. and Canada):
1-877-309-2071

Access code:
242-149-006

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, December 16, 2021.

Items requiring approval are neither effective nor final until voted on and approved by the Minnesota Housing Board.

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 or Minn. Stat. 13D.021 are met. The Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.

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Mission

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.

Vision

All Minnesotans live and thrive in a safe, stable home they can afford in a community of their choice.

AGENDA
Minnesota Housing Board Meeting
Thursday December 16, 2021
1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   A. (page 5) Regular Meeting of November 18, 2021

5. **Reports**
   A. **Chair**
   B. **Commissioner**
   C. **Committee**

6. **Consent Agenda**
   A. (page 9) Approval, Community Homeownership Impact Fund Program Procedural Manual
   B. (page 67) Program Guide Waiver, Rental Rehabilitation Deferred Loan (RRDL)
      - Ridgeway Court III, D0140, Bemidji
      - Ridgeway Court IV, D0141, Bemidji
   C. (page 71) Approval, Waiver to the 2021 Housing Tax Credit Qualified Allocation Plan and Program Procedural Manual
      - The Crest Apartments II, D7876, Brooklyn Center, MN
   D. (page 73) Revision to Board Policy 12, Rotation of Independent Auditor

7. **Action Items**

8. Discussion Items

9. Information Items

10. Other Business

None.

11. Adjournment

DRAFT Minutes
Minnesota Housing Board Meeting
Thursday, November 18, 2021
1:00 p.m.
Via Conference Call

1. **Call to Order.**
   Chair DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance Agency at 1:16 p.m.

2. **Roll Call.**
   Members Present via conference call: Chief Executive Melanie Benjamin, Auditor Blaha, Chair John DeCramer, Craig Klausing, and Terri Thao.
   Minnesota Housing Staff present via conference call: Tal Anderson, Caitlin Arreola, Jordan Bailes, Vi Bergquist, Sondra Breneman, Kevin Carpenter, Erin Coons, Jessica Deegan, Matt Dieveney, Michelle Doyal, Ben Eggersdorfer, Rachel Franco, Graydon Francis, John Hawkinson, Anne Heitlinger, Anna Heitz, Darryl Henchen, Hannah Jirak, Karen Johnson, Katey Kinley, Kasey Kier, Katey Kinley, Dan Kitzberger, Laurie Krivitz, Tresa Larkin, Debbi Larson, Song Lee, James Lehnhoff, Nira Ly, Jill Mazullo, Don McCabe, Leighann McKenzie, Amy Melmer, Erin Menne, Judi Mortenson, John Patterson, Kirby Pitman, Devon Pohlman, Caryn Polito, William Price, Brittany Rice, Paula Rindels, Cheryl Rivinius, Rachel Robinson, Joel Salzer, Anne Smetak, Corey Strong, Emily Strong, Kim Stuart, Jodell Swenson, Susan Thompson, Mike Thone, Kayla Vang, Amanda Welliver, Tyler Wenande, Sarah Woodward, and Kristy Zack.
   Others present via conference call: Michelle Adams, Kutak Rock; Ramona Advani, Minnesota Office of the State Auditor; Anne Mavity, Minnesota Housing Partnership.

3. **Agenda Review**
   No changes.

4. **Approval**
   A. Regular Meeting Minutes of October 28, 2021
   Motion: Terri Thao moved to approve the October 28, 2021, Regular Meeting Minutes. Seconded by Chief Executive Benjamin. Roll call was taken. Motion carries 5-0. All were in favor.

5. **Reports**
   A. Chair
   None.

   B. Commissioner
   Commissioner Ho shared the following with the Board:
   - Welcome new employee Ben Eggersdorfer
   - Goodbye to Kasey Kier, Assistant Commissioner, Single Family Division
   - Visits to St. Cloud, PERIS Hill Grand Opening, Volunteers of America Event

- Update on Multifamily & Single Family RFP Selections
- 2024-2025 Qualified Allocation Plan Development
- RentHelpMN Update
- HomeHelpMN Update

C. Committee
None.

6. Consent Agenda
A. Modification to Acquisition Loan Terms
- **Woodlawn Terrace, Richfield, D8461**

B. Approval, 2022 Minnesota Housing Board of Directors Meeting Schedule
Motion: Ramona Advani moved to approve the Consent Agenda Items. Seconded by Terri Thao. Roll call was taken. Motion carries 5-0. All were in favor.

7. Action Items
A. Workforce and Affordable Homeownership Development Program and Interim Construction Loan Selections
Song Lee and Leighann McKenzie presented to the board a request for approval of funding recommendations for the Workforce and Affordable Homeownership Development Program and Interim Construction loans. Board members asked questions and staff provided answers.
Motion: Chief Executive Benjamin moved Workforce and Affordable Homeownership Development Program and Interim Construction Loan Selections. Seconded by Craig Klausing. Roll call was taken. Motion carries 5-0. All were in favor.

B. Selection and Commitment, Bridge Loan (BL)
- **Knollwood Apartments, D1126, Pine Island**

Sarah Woodward presented to the board a request for adoption of a resolution authorizing the issuance of a Bridge Loan commitment in the amount of up to $1,534,000. All commitments are subject to the terms and conditions of the Agency term letter. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers.
Motion: Terri Thao moved Selection and Commitment, Bridge Loan - Knollwood Apartments, D1126, Pine Island, MN. Seconded by Auditor Blaha. Roll call was taken. Motion carries 5-0. All were in favor.

C. Approval, Revisions to the Rental Rehabilitation Deferred Loan (RRDL) Program Guide Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency fixed rate, Residential Housing Finance Bonds (RHFB)
Kevin Carpenter presented to the board a request for approval of Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency fixed rate Residential Housing Finance Bonds (RHFB). This resolution authorizes additional fixed rate RHFB bonds, in an amount up to $300 million over time. The initial bond offering utilizing a

portion of this authority will likely be designated 2021 Series GHI. The RHFB 2021 Series GHI bond issue is expected to be sized at approximately $150 million, to price on or about December 7, with a closing preliminarily scheduled for December 23; the Preliminary Official Statement describes the transaction. Chair DeCramer opened up the discussion. There were no questions from board members. **Motion**: Chief Executive Benjamin moved Approval, Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency fixed rate, Residential Housing Finance Bonds. Seconded by Terri Thao. Roll call was taken. Motion carries 5-0. All were in favor.

8. Discussion Items

A. Fourth Quarter 2021 Progress Report: 2020-22 Strategic Plan and 2020-21 Affordable Housing Plan

John Patterson provided the board with a 2020-22 Strategic Plan and 2020-21 Affordable Housing Plan update.

B. Equity and Inclusion Overview

Brittany Rice provided the board with an overview of the Equity and Inclusion work at the Agency.

9. Information Items

None.

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:39 p.m.

____

John DeCramer, Chair

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MINNESOTA HOUSING

Board Agenda Item: 6.A
Date: 12/16/2021

Item: Approval, Community Homeownership Impact Fund Program Procedural Manual

Staff Contact(s):
Leighann McKenzie, 651.296.8147, leighann.mckenzie@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☐ Resolution	☐ Information

Summary of Request:
Staff requests board approval of the Community Homeownership Impact Fund (Impact Fund) Program Procedural Manual.

Fiscal Impact:
The Impact Fund includes Economic Development and Housing Challenge (EDHC) funds, Housing Infrastructure Bond proceeds and Pool 2 resources. EDHC funds are state appropriated resources provided in the form of grants or deferred loans that do not earn interest for the Agency. Housing Infrastructure Bond proceeds are provided in the form of deferred, forgivable loans that do not earn interest for the Agency. Interim Construction loans made from Pool 2 are repayable and earn interest for the Agency.

Meeting Agency Priorities:
- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☒ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):
- Background
- Community Homeownership Impact Fund Program Procedural Manual

Background:
The Community Homeownership Impact Fund (Impact Fund) provides funding for single family, owner-occupied housing projects through the annual Single Family Request for Proposals (RFP). The Single Family RFP is a mix of Pool 2, state appropriated resources, and Housing Infrastructure Bond proceeds. The Impact Fund Procedural Manual sets forth for Administrators the terms and conditions under which Minnesota Housing will award Impact Fund Dollars to Administrators.

Staff recommends revisions to the Impact Fund Procedural Manual to implement new policies, update and clarify existing procedures and provide consistent language across programs. Some of the recommended policies and clarifications were informed by changes to Minnesota statute that were passed by the Minnesota Legislature in 2020. Below is a summary of the revisions to the Impact Fund Procedural Manual.

Chapter 2: Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting
Staff consulted with the Agency's legal team to review Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting policies. Staff recommends adopting the revised language.

Expanded Uses of Housing Infrastructure Bond (HIBs) Proceeds Requirements
In 2020, the Minnesota State Legislature expanded the eligible uses of Housing Infrastructure Bonds (HIBs) to include certain single family housing activities. This resulted in an expansion of the eligible activities and the eligible entities. Below is the added language:

> Minn. Stat. 462A.37 Subd. 1 (f) (3) finance the construction or rehabilitation of single-family houses that qualify for mortgage financing within the meaning of section 143 of the Internal Revenue Code;
>
> Minn. Stat. 462A.37 Subd. 1 (a) (7) to finance the costs of acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing.

With the expanded HIBs usage and eligible entities, the revised Impact Fund Procedural Manual updates include:
- 8.01 General – Clarification to what eligible activities and costs are allowed for HIBs funding.
- 8.02 Properties Eligible to be Financed with Bond Proceeds Loans – Clarification that costs must be incurred no earlier than the date specified on the *Certificate of Administrator as to Expenditure of Bond Proceeds* provided by Minnesota Housing to be eligible for reimbursement.
- 8.03 Additional Documentation Required – Clarification on what documentation is required for each eligible use of HIBs.

- 8.04 Disbursements of Bond Proceeds Loans – Clarification when requesting funds to provide additional required documentation for each eligible use as noted in the Additional Documentation Required.
- Appendix A: Definitions – Clarification to the Bond Proceeds definition to include the eligible activities and expanded uses.

Clarifications to Other Existing Procedures

The following revisions clarify, but do not substantively change, policies and procedures contained in prior versions of the Impact Fund Procedural Manual.

- Consistency with other Agency programs with the language used for the Lead-Based Paint Guide (instead of Guidebook).
- Clarification of what required documentation is needed for Acquisition, Rehabilitation, and Resale activities as it relates to lead-based paint documentation.
- Clarification to distinguish which definition, either Property or Qualified Dwelling Unit or both is applicable throughout the manual.
- Removal of the Community Land Trust (CLT) Project definition since this was not used anywhere in the manual.

Effective Date and Applicability

Following board approval, the proposed new Impact Fund Procedural Manual would go into effect immediately for all awards funded during or after the 2020 Single Family Request for Proposals.

Agreements, Grant Contracts and Loan Contracts currently in effect refer to the Procedural Manual as may be amended; therefore, this updated version would apply to all activity awarded funding in 2020.

MINNESOTA HOUSING

Community Homeownership Impact Fund Program Procedural Manual

January 1, 2022

Table of Contents

Introduction

Mission Statement

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.

Background

The Minnesota Housing Finance Agency (Minnesota Housing) was created in 1971 by the Minnesota Legislature.

Minnesota Housing offers funding through an annual Single Family Request for Proposal (RFP) to assist communities in addressing local housing concerns by leveraging resources to maintain and develop owner-occupied housing that is Affordable to the Local Work Force.

Community Homeownership Impact Fund Program

The Community Homeownership Impact Fund Program (Impact Fund), formerly known as the Community Revitalization Program (CRV), is the umbrella name for a variety of limited funding resources offered in the Single Family RFP, including the Economic Development and Housing Challenge Fund and other Minnesota Housing resources which vary from time to time.

The Impact Fund allows for a variety of housing activities including: Acquisition, Rehabilitation and Resale, New Construction (which may include demolition-rebuild), Owner-Occupied Rehabilitation, and stand-alone Affordability Gap assistance. Funding for Owner-Occupied Rehabilitation and Affordability Gap assistance are generally limited to situations where the articulated community need for such funds cannot be served by other available programs and resources, including Minnesota Housing programs.

Procedural Manual

This Procedural Manual sets forth for Administrators the terms and conditions under which Minnesota Housing will award Impact Fund Dollars to Administrators.

Chapter 1 – Partner Responsibilities/Warranties

(See Appendix C for minimum documentation requirements.)

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Fund Availability, Disbursement and Loan/Grant Agreement, Loan Contract, and/or Grant Contract (each of which is referred to as the “Agreement”) executed between the Administrator and Minnesota Housing. This Procedural Manual is incorporated into the Agreement by reference.

Minnesota Housing reserves the right to:

- Alter or waive any of the requirements herein;
- Impose other and additional requirements; and
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated.

Minnesota Housing grants waivers, alterations or revisions at its sole discretion. Administrators may request, in writing to Minnesota Housing, waivers, alterations or revisions to this Procedural Manual.

In the case of a conflict between this Procedural Manual and the Application for Funds, this Procedural Manual controls. In the case of a conflict between the Agreement and this Procedural Manual, the Agreement controls. This Procedural Manual, may, however, contain more stringent requirements than those found in the Application for Funds or the Agreement. In which case, Administrators must comply with the most stringent requirements.

1.02 The Agreement

If an Administrator submits its Application for Funds to Minnesota Housing and is selected to receive Impact Fund Dollars through an Impact Fund Award, Minnesota Housing and the Administrator will execute an Agreement or Agreements outlining the legal relationship and responsibilities between the Administrator and Minnesota Housing.

Each Agreement is labeled with an Impact Fund Award ID Number, which is the unique identifier for the Impact Fund Award. The Administrator must use the Impact Fund Award ID Number on all forms and correspondence to Minnesota Housing.

1.03 Evidence of Misconduct Referred to Attorney General

Minnesota Housing will refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of the Impact Fund to the Minnesota Attorney General’s office for appropriate legal action.

Minnesota Housing may exercise all remedies available to it, both legal and equitable, to recover funds from the Administrator and/or the Household. This includes Impact Fund Dollars, together with all applicable administrative costs and other fees or commissions received by the Administrator in connection with the Impact Fund Dollars and for all attorney fees, legal expenses, court costs or other expenses incurred by Minnesota Housing in connection with the Impact Fund Dollars or recovery of such funds.

1.04 Compliance with Privacy Statutes

The Minnesota Government Data Practices Act:

- Requires the Administrator to supply individuals with the Tennessen Warning and the Privacy Act Notice when requesting private data[1];
- Governs when the disclosure of an individual's social security number is required;
- Provides that when a Household receives a loan, only the Borrower's name, address and amount of assistance received are public data;
- Provides that all data regarding a Household that receives or benefits from Grant Funds, except the amount of assistance, are private data on individuals and may not be released without the Household's permission; and
- Provides that all other data created by or collected from the Household, including financial information such as credit reports, financial statements and net worth calculations, are classified as private data on individuals under Minnesota Statutes §462A.065 and §13.462 subdivision 3.

1.05 Unauthorized Compensation

The Administrator may receive fees approved in this Procedural Manual. However, the Administrator shall not receive or demand from the builder, remodeler, contractor, supplier, or Borrower:

- Kickbacks;
- Commissions;
- Rebates; or
- Other compensation.

In order to reduce the Total Development Cost associated with an eligible Property, an Administrator may receive discounts from the seller, builder, remodeler, contractor, or supplier. In these cases, the Administrator file must be documented to prove that the discounts received are considered normal for the market area and do not constitute a kickback, commission, rebate or compensation for products or services rendered. Any discounts that exceed the norm must be documented as a charitable contribution by the representative of the seller, builder, remodeler, contractor or supplier providing the discount.

[1] Administrators that are governmental entities are to use the form approved by their "Responsible Authority", as defined in Minnesota Government Data Practices Act § 13.02, Subd. 16. Other Administrators must provide a Tennessen Warning and Privacy Act Notice and use the applicable Tennessen Warning and Privacy Act Notice located on Minnesota Housing's Impact Fund webpage.

1.06 Monitoring, Financial Reconciliation and Quality Control Audits

With reasonable notice to the Administrator and, where applicable, to the Household, Minnesota Housing reserves the right to make site visits, review Administrator's records and Project files, and conduct quality control audits.

Administrator's records and Project files, including but not limited to Administrator, Household/Borrower and Construction/Property files as specified in Appendix C, must be made available upon request in order to conduct monitoring and quality control audits.

Monitoring and Financial Reconciliation
Administrator's records and Project files must be made available to Minnesota Housing at the Administrator's office during regular business hours, or via remote submission, or both, if and as requested by Minnesota Housing. Monitoring and financial reconciliation generally includes:

- Physical inspection of Projects;
- Verification of Project files including eligibility requirements and documentation requirements (see Appendix C); and
- Review of expense documentation (e.g., any and all books, records, invoices, and receipts), other program-related documents, and accounting procedures and practices relevant to the Agreement and this Procedural Manual.

Quality Control Audits
Quality control audits typically focus on an Administrator's use of Deferred Loan Funds to make Deferred Loans to Borrowers, including Deferred Loans originated by a Processing Entity. Administrator's records and Project files must be made available to Minnesota Housing via remote submission, or at the Administrator's office during regular business hours, or both, if and as requested by Minnesota Housing. Audited files are reviewed for:

- Minnesota Housing program/policy compliance;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends and other indicators that may have an impact on the financial viability of the Impact Fund.

1.07 Term of Funds Availability

Minnesota Housing reserves the right to cancel the Impact Fund Award specified in the Agreement if the Agreement is not executed and returned to Minnesota Housing within 60 days of the Administrator's receipt of the Agreement.

Impact Fund Dollars will be available to the Administrator for a period of 20 months unless otherwise stated in the Agreement. Minnesota Housing, at its sole discretion, may extend the period Impact Fund Dollars are available to the Administrator.

Impact Fund Dollars the Administrator receives but does not expend on eligible activities must be repaid to Minnesota Housing, in accordance with the terms and conditions outlined in the Agreement.

1.08 Termination of Administrator Participation

Minnesota Housing may terminate the participation of any Administrator under this Procedural Manual at any time and may preclude Administrator's future eligibility for reasons including, but not limited to, nonconformance with:

- This Procedural Manual;
- The Agreement;
- The procedural manuals and agreements of other Minnesota Housing programs;
- The Federal Fair Housing Law;
- The Equal Credit Opportunity Act;
- Any federal or state laws or acts that protect individuals' rights with regard to obtaining homeownership;
- The Application for Funds; and
- Other applicable state and federal laws, rules and regulations.

Minnesota Housing may, at its option, impose remedies other than termination of the Agreement for Administrator nonperformance.

Administrator may request reinstatement into Minnesota Housing programs. The decision whether or not to reinstate an Administrator is at Minnesota Housing's sole discretion.

1.09 Representations and Warranties

The Administrator agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders including, but not limited to, the following:

- Title 24, Code of Federal Regulations, Part 35, Subpart A;
- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- The Equal Credit Opportunity Act;
- The Fair Credit Reporting Act and any applicable regulations and orders thereunder;
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62;
- Federal Fair Housing Law (Title VIII);
- Minnesota Statutes Chapter 326B;
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);

- Minnesota Statutes Section 462A.33;
- Minnesota Statutes Section 462A.34;
- Minnesota Statutes Section 462A.37;
- Minnesota Rules 4900.3600-3652;
- Minnesota Government Data Practices Act - Minnesota Statutes Chapter 13 and Minnesota Statutes Section 462A.065;
- Minnesota Secure and Fair Enforcement for Mortgage Licensing Act (S.A.F.E. Act) of 2010;
- Minnesota Statutes §58A.03;
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101;
- Fair and Accurate Credit Transactions Act;
- National Flood Insurance Act;
- Truth in Lending Act (TILA);
- Home Mortgage Disclosure Act;
- Anti-Predatory Lending Act;
- USA Patriot Act;
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;
- Internal Revenue Code of 1986, Section 6050H;
- Real Estate Settlement Procedures Act of 1974 (RESPA), as amended;
- Dodd-Frank Wall Street Reform and Consumer Protection Act; and
- TILA-RESPA Integrated Disclosure Rule.

In addition to the above warranties and representations, Administrator also warrants and represents that:

- It is a city, a housing and redevelopment authority, a joint powers board established by two or more cities, a federally recognized American Indian tribe or subdivision located in Minnesota, a tribal housing corporation, a nonprofit organization, a Private Developer, or a Public Housing Agency;
- It will fully comply with all terms and conditions in the Agreement, the Single Family RFP, the Application for Funds and this Procedural Manual for each eligible activity outlined in the Administrator's Impact Fund Application for Funds unless prior written approval is obtained from Minnesota Housing;
- It will not modify Minnesota Housing forms unless it first receives written authorization from Minnesota Housing;
- It will not contract with vendors who are suspended or debarred in Minnesota, including those identified in the Minnesota Department of Administration's Suspended/Debarred Vendor Report;
- It will ensure entities performing work on its Projects maintain all licenses (including licenses in residential trades) where licensure is required by laws, ordinances and rules;
- It will maintain all licenses (including licenses in residential trades), permits, and performance bonds if and as required by laws, ordinances and rules;

- It will comply with the Minnesota Housing Lead--Based Paint Guide~~book~~ if the activity includes the identification and correction of health and safety hazards;
- If it or a Processing Entity originates loans, it will comply with standard underwriting requirements of the secondary market and prudent lenders that originate loans for similar Projects;
- It will use Impact Fund Dollars only for an eligible activity or eligible activities;
- It will control the disbursement of Impact Fund Dollars in accordance with the terms of the Agreement and this Procedural Manual;
- It will monitor the construction or rehabilitation of the Qualified Dwelling Unit in accordance with the terms of the Agreement and this Procedural Manual;
- It will obtain and review all applicable documentation to determine and record compliance with all Minnesota Housing requirements;
- It will maintain adequate capital and trained personnel for the administration of the Impact Fund Dollars;
- It will not assign any agreements executed with Minnesota Housing without prior written approval from Minnesota Housing;
- It will represent in the Application for Funds the specific organization with which it intends to sign the Agreement with Minnesota Housing and to which Impact Fund Dollars will be disbursed;
- The Property owner has good and marketable fee simple title to or a long-term "mortgageable" lease for the Property, unless Minnesota Housing waives this requirement in writing;
- If the Property is subject to a mortgage, lien or other encumbrance, it is a mortgage, lien or other encumbrance acceptable to prudent lenders that make loans or grants for similar Properties; and
- It is an entity duly formed or incorporated under the laws of the State of Minnesota.

1.10 Processing Entities

The Administrator may contract with a Processing Entity to originate Deferred Loans on the Administrator's behalf. Only the Administrator or a Processing Entity may originate Deferred Loans to Borrowers. The Processing Entity's participation must be approved in writing by Minnesota Housing before that Processing Entity originates Deferred Loans. The Administrator must have a written contractual relationship with the Processing Entity. The Administrator, however, retains sole responsibility for any default under the Agreement.

1.11 Affirmative Marketing

The Administrator must take necessary steps to affirmatively market to Underserved Populations.

Chapter 2 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting

2.01 Fraud

Fraud is any intentionally deceptive action made for personal gain or to damage another.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the communication channels described in S~~s~~ection ~~Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the ways described in section~~ 2.05.

2.02 Misuse of Funds

A loan or grant agreement is a legal contract. The borrower or grantee promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the borrower or grantee to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the borrower or grantee must use Minnesota Housing funds as agreed and the borrower or grantee must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a borrower or grantee; or (2) A borrower or grantee cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the loan or grant agreement.

Any borrower or grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the communication channels described in S~~s~~ection ~~Any borrower or grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the ways described in section~~ 2.05.

2.03 Conflict of Interest

A conflict of interest, actual or potential, occurs when a person has an actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. A conflict of interest exists even if no unethical, improper or illegal act results from it.

An individual conflict of interest is any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a friend, relative, acquaintance or business or organization with which they are involved.

Organizational conflicts of interest occur when:

- A contracting party is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties
- A contracting party's objectivity in carrying out their responsibilities might be otherwise impaired due to competing duties or loyalties
- A contracting party has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party's responsibilities to mitigate the conflict
- Allowing the contracting party to create firewalls that mitigate the conflict
- Asking the contracting party to submit an organizational conflict of interest mitigation plan
- Terminating the contracting party's participation

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual or potential conflicts of interest through one of the communication channels described in Section ~~A conflict of interest, actual, potential, or perceived, occurs when a person has an actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. A potential or perceived conflict of interest exists even if no unethical, improper or illegal act results from it.~~

~~An individual conflict of interest is any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a friend, relative, acquaintance or business or organization with which they are involved.~~

~~Organizational conflicts of interest occur when:~~

- ~~A contracting party is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties~~
- ~~A contracting party's objectivity in carrying out their responsibilities might be otherwise impaired due to competing duties or loyalties~~

- ~~A contracting party has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors~~

~~Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:~~

- ~~Revising the contracting party's responsibilities to mitigate the conflict~~
- ~~Allowing the contracting party to create firewalls that mitigate the conflict~~
- ~~Asking the contracting party to submit an organizational conflict of interest mitigation plan~~
- ~~Terminating the contracting party's participation~~

~~Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual, perceived, or potential conflicts of interest through one of the ways described in section~~ 2.05.

A contracting party should review its contract agreement and Request for Proposals (RFP) material, if applicable, for further requirements.

2.04 Suspension

By entering into any agreement with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the agreement) has not been suspended from doing business with Minnesota Housing. Please refer to Minnesota Housing's website for a list of suspended individuals and organizations.

2.05 Disclosure and Reporting

Minnesota Housing promotes a "speak-up, see something, say something" culture whereby internal staff must immediately report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation through one of the communication channels listed below. External business partners (e.g., grantees, borrowers) and the general public are strongly encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation using these same communication channels.

~~Minnesota Housing promotes a "speak-up, see something, say something" culture whereby internal staff, external business partners (e.g., grantees, borrowers) and the general public are encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation. You may report wrongdoing or other concerns by contacting:~~

- Minnesota Housing's Chief Risk Officer
- Any member of Minnesota Housing's Servant Leadership Team

- EthicsPoint, the Minnesota Housing hotline reporting service vendor

2.06 Assistance to Employees and Affiliated Parties

A contracting party that receives funding from Minnesota Housing to make specified loans, grants, or other awards to recipients may make these specified loans, grants, or other awards to their directors, officers, agents, consultants, employees and/or their families, elected or appointed officials of the State of Minnesota as well as to Minnesota Housing employees and/or their families ("Affiliated Assistance") provided:

- The recipient meets all eligibility criteria for the program.
- The assistance does not result in a violation of the contracting party's internal conflict of interest policy, if applicable.
- The assistance does not result in a conflict of interest as outlined in Section 2.03.
- The assistance is awarded utilizing the same costs, terms and conditions as similarly situated unaffiliated recipients, and the recipient receives no special consideration or access compared to similarly situated unaffiliated recipients.
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and their immediate family members. Family members include a spouse, domestic partner, parent, sibling, child, in-law or other relative living in the recipient's home

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to awarding the Affiliated Assistance, that the Affiliated Assistance meets each of the provisions outlined above. This documentation must be included in the Affiliated Assistance file and must be made available upon request to Minnesota Housing. Affiliated Assistance that does not meet each of these provisions will be considered a violation of Minnesota Housing conflict of interest standards which must be reported through one of the communication channels outlined in Section 2.05.

Chapter 3 – Household Eligibility Requirements

(See Appendix C for minimum documentation requirements.)

3.01 Households

A Household is eligible to benefit from assistance only if that Household meets the requirements of this Procedural Manual. Households benefitting from Impact Fund Dollars must be Owner-Occupants.

A Homebuyer Household is a type of Household that is eligible to purchase a Property or Qualified Dwelling Unit and benefits from the use of an Impact Fund Award in the construction of or acquisition, rehabilitation and resale of a Qualified Dwelling Unit and/or Affordability Gap Financing to purchase a Qualified Dwelling Unit.

A Homeowner Household is a type of Household eligible to use Impact Fund Dollars for the rehabilitation of a Property or Qualified Dwelling Unit in which the Household has an ownership interest. The Homeowner Household must occupy the subject Property or Qualified Dwelling Unit as its Principal Residence.

Households benefitting from Indian Housing Set-Aside Funds must be American Indian Households. Verification of tribal affiliation or membership is required.

3.02 Household Selection

The Administrator must establish and maintain a Household selection process, which ensures that Households meet Impact Fund requirements.

The Administrator may establish more stringent Household selection requirements including maximum purchase prices, Household asset limits, loan-to-value and combined loan-to-value limits.

3.03 Household Affordability Gap Eligibility

The Administrator's Household selection process must include an assessment of the Households' needs for Affordability Gap assistance indicated by the Housing Ratio. To be eligible for Affordability Gap assistance, a Household must spend no less than 25 percent of its gross monthly income for housing payments associated with the Property or ~~Qualifed~~Qualified Dwelling Unit. Housing payments are: monthly first mortgage principal and interest, subordinate mortgage principal and interest, mortgage insurance, homeowners' association fees, Property taxes, hazard insurance, land trust ground lease fees, and manufactured home park lot rent.

Minnesota Housing may, at its sole discretion, waive the housing-to-income ratio requirement for Affordability Gap Financing on a case by case basis, when the Administrator provides a written waiver request. Waiver requests are viewed more favorably in cases where one or more of the following is true:

- A party whose income must be included when calculating Annualized Gross Income cannot, according to the underlying first-mortgage lender, be named on an underlying first mortgage due to credit or title constraints;
- A Household's purchasing power is insufficient due to the underlying first-mortgage lender's debt-to-income limits;
- The Household is maximizing the amount of financing for which it has qualified from the first-mortgage lender.

3.04 Homebuyer Age

Anyone obtaining title to Property or Qualified Dwelling Unit, or a vendee interest in a contract-for-deed or contract-for-title, and all Borrowers must be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction.

3.05 Unauthorized Compensation

Households must not receive kickbacks, rebates, discounts, or other compensation from any party in the transaction.

3.06 Principal Residence/Occupancy Requirements

Each Household that receives or benefits from Impact Fund Dollars must occupy the eligible Property or ~~Qualifed~~Qualified Dwelling Unit as its Principal Residence.

3.07 Impact Fund Eligibility Income

The Administrator and Minnesota Housing establish Household income limits for each eligible activity undertaken with Impact Fund Dollars through the Agreement. ~~Except for CLT~~ All Households~~Projects~~ benefitting from ~~Bond Proceeds Loan funds, these limits~~Impact Fund D~~d~~ollars must not exceed 115 percent of the greater of state or area median income (AMI), as established by Minnesota Housing and posted to Minnesota Housing's Impact Fund webpage.

~~With respect to CLT Projects benefitting from Bond Proceeds Loan funds, these limits must not exceed the lesser of: (i) 80 percent of the greater of state or area median income as most recently determined by HUD and as established by Minnesota Housing and posted to Minnesota Housing's or (ii) the amount that qualifies the Administrator for tax exempt status under United States Code, Title 26, section 501(c)(3).~~

Administrators must not serve Households with Annualized Gross Income in excess of thi~~s~~ese limit~~s~~.

Annualized Gross Income is the earned and unearned income of the parties in the Household as described below from sources outlined in the list below and excluding the exceptions that follow.

Parties Whose Income Must be Included When Calculating Annualized Gross Income

The income of the following persons must be verified and included when calculating Annualized Gross Income for Homebuyer Households of Qualified Dwelling Units constructed or rehabilitated using Impact Fund Dollars or Households receiving Impact Fund Affordability Gap assistance:

- Anyone who will have title to the subject Property or ~~Qualifed~~Qualified Dwelling Unit and signs the mortgage.
- Anyone expected to reside in the subject Property or ~~Qualifed~~Qualified Dwelling Unit and who will be obligated to repay an underlying mortgage loan but who is not in title to the subject Property or Qualified Dwelling Unit (i.e. a Co-Signer on the mortgage note).
- The legal spouse of the mortgagor who will also reside in the subject Property or ~~Qualifed~~Qualified Dwelling Unit.

The income of the following persons must be verified and included when calculating Annualized Gross Income for Homeowner Households of Qualified Dwelling Units receiving Impact Fund Owner-Occupied Rehabilitation assistance:

- Anyone in title to the subject Property or ~~Qualifed~~Qualified Dwelling Unit who also resides in the subject Property or ~~Qualifed~~Qualified Dwelling Unit.
- The legal spouse of the mortgagor who also resides in the subject Property or ~~Qualifed~~Qualified Dwelling Unit.

If the mortgagor is legally married and the spouse does not or is not expected to reside in the subject Property or ~~Qualifed~~Qualified Dwelling Unit, the Household file must contain either the Non-Occupant Spouse Statement or another statement indicating the spouse does not or will not occupy the subject Property or ~~Qualifed~~Qualified Dwelling Unit. The spouse may still be required to sign any Impact Fund (Balloon) Loan Mortgage (see "Accommodation Parties," below, and Chapter 6 of this Procedural Manual).

Any person whose income must be included in the Annualized Gross Income calculation who receives no income must sign either the Zero Income Statement or another statement indicating they receive no income.

The Administrator must establish and adhere to standard procedures for determining Annualized Gross Income in accordance with this Procedural Manual.

Accommodation Parties

An accommodation party is anyone with an ownership interest in an eligible Property or ~~Qualifed~~Qualified Dwelling Unit that is not a Borrower. Examples include but are not limited to a non-borrowing relative, spouse, or heir in title to an eligible Property or Qualified Dwelling Unit, or a seller of a contract-for-deed to an Owner-Occupant. An accommodation party must sign the Impact Fund (Balloon) Loan Mortgage.

Co-Signers

Co-signers are permitted on first mortgage loans originated for Homebuyer Households. Co-signers are not vested in title and may reside in the subject Property or ~~Qualifed~~Qualified Dwelling Unit.

Annualized Gross Income Calculation
Total Annualized Gross Income includes, but is not limited to:

- Base pay, which includes full-time, part-time or seasonal work with regular hours, expressed hourly, weekly or monthly, etc.;
- Variable income, which includes irregular hourly income, income from commissions, overtime and bonuses, income from irregular employment, shift differential, tips, profit sharing, sick pay, holiday pay and vacation pay;
- Self-employment or business income;
- Income from financial assets, trusts or annuities, including but not limited to, dividends, royalties, recurring capital gains and interest earned from non-retirement accounts;
- Government Transfer Payments, including retirement benefits, disability benefits, medical benefits, social security benefits, pensions, veterans' benefits, workers' compensation, public assistance, unemployment benefits, federal education and training assistance and income maintenance benefits;
- Insurance or benefit payments, such as long-term care insurance, disability insurance, pensions or death benefits;
- Net rental income from investment property;
- Contract-for-deed interest income;
- Child support;
- Spousal maintenance;
- Regular financial contributions from an individual or individuals whose income does not need to be included in the Annualized Gross Income calculation;
- Employer-paid allowances such as housing, automobile, cell phone, etc.;
- Flexible benefit cash;
- Custodial account income received on behalf of a minor dependent;
- Estate income; and
- Other sources of income not specifically excluded below.

The following types of income are excluded from the Annualized Gross Income calculation:

- Income no longer available;
- One-time (non-recurring) income; for example, income received once that does not have a history and is unlikely to reoccur in the future;
- Income generated by IRA, VIP, 403(b), and 401(k) accounts;
- Supplemental Nutrition Assistance Program (SNAP) benefits;
- Meals on Wheels or other contributions of food;
- Government-paid child care which is paid directly to the provider;

- Foster care income;
- Educational scholarships, grants, loans or tuition reimbursement;
- Earned Income Tax Credit refund payments;
- Potential roommate income or rental income of future duplex or accessory dwelling unit;
- Transfers between individuals whose income must be included in the Annualized Gross Income calculation;
- Court-ordered child or spousal support not received;
- 529 plans;
- Custodial accounts where someone other than the parents are named as custodian;
- Custodial account income received on behalf of adult dependents whose income does not need to be included in the Annualized Gross Income calculation; and
- Non-recurring payments from:
  - Inheritances
  - Insurance settlements
  - Lottery winnings
  - Gambling winnings
  - Capital gains
  - Liquidation of assets
  - Settlements for personal loss.

~~3.08 Employees and Other Affiliated Parties~~

~~Administrators' and Processing Entities' directors, officers, agents, consultants, employees and their family members, elected or appointed officials of the State of Minnesota, and Minnesota Housing employees and their family members are eligible for assistance provided they receive assistance only at the same costs, terms and conditions as similarly situated unaffiliated Households, and receive no special consideration or access compared to similarly situated unaffiliated Households. Administrators may establish more restrictive policies and must follow their conflict of interest policies and any other disclosure policies as applicable.~~

~~Administrators need not disclose to Minnesota Housing assistance to employees and other affiliated parties under Section 2.05 of this Procedural Manual provided it complies with this Section 3.08. However, Administrators must document each instance of this assistance.~~

Chapter 4 – Property Eligibility

(See Appendix C for minimum documentation requirements.)

4.01 Qualified Dwelling Unit

A Qualified Dwelling Unit must:

- Be attached or detached, owner-occupied housing including manufactured homes;
- Be residential in nature and have a remaining economic life equal to the loan term plus 10 years;
- Be occupied by an eligible Household;
- Be Affordable to the Local Workforce;
- Be affordable to Households with incomes not exceeding the Impact Fund Eligibility Income established according to Section 3.07 of this Procedural Manual;
- Be completed during the effective term of the Agreement; and
- Contain no more than four units with at least one unit being occupied by the Household that owns the entire structure.

4.02 Title Examination Requirements

The Administrator must ensure that title to Property or ~~Qualifed~~Qualified Dwelling Unit is clear and marketable prior to development, at the time of transfer to an Administrator, and at the time of transfer to a Homebuyer Household, as demonstrated by way of an attorney's legal title opinion or a title insurance policy.

In addition, if making a secured loan, such as a Deferred Loan, the Administrator must ensure that title to the Property or ~~Qualifed~~Qualified Dwelling Unit to be mortgaged is good and marketable prior to making the loan, and the security instrument is fully executed, valid and enforceable.

In the case of Tribal Lands, the Administrator must ensure that the proper official of the Tribal Land office establishes a clear and marketable title as defined by the tribe governing the Land on which the Qualified Dwelling Unit is located.

4.03 Community Land Trusts

A Community Land Trust ~~(CLT)~~ must meet the following conditions:

- The ~~CLT~~Community Land Trust must provide evidence, satisfactory to Minnesota Housing, that members of Homebuyer Households purchasing Qualified Dwelling Units in the ~~CLT~~Community Land Trust receive full disclosure of their rights and obligations under the trust, including future limitations on sale;
- The ~~CLT~~Community Land Trust must submit evidence, satisfactory to Minnesota Housing, that land trust Homebuyer Households have access to the secondary mortgage market; and

- The terms and conditions of the ~~CLT~~Community Land Trust must be compatible with those developed by the National ~~CLT~~Community Land Trust Network and otherwise satisfactory to Minnesota Housing.

4.04 Reasonable Cost Estimates

The Administrator must determine and document that all Project costs are reasonable, necessary, and cost effective, and must maintain documentation of the purchasing and/or bidding process utilized. The Agreement may contain additional contracting and bidding requirements.

4.05 Building Code Compliance

All eligible activities must be in compliance with all applicable state, county and municipal health, housing, building, fire prevention, and housing maintenance codes and local ordinance or other public standards.

In areas of the State where there is a local building code or the State building code has been adopted, a licensed building official/inspector must provide a building permit, certificate of occupancy, certificate of completion or a final inspection report in order to document that the improvements meet building code.

In areas of the State where there is no local building code or where the State building code has not been adopted, the Administrator must include in its contracts a requirement that improvements are completed in accordance with the State Building Code.

When working within tribal reservations or on Tribal Lands, compliance with the governing tribal laws and regulations relating to building and zoning is sufficient for compliance with this Section 4.05.

Chapter 5 – Eligible Activities

(See Appendix C for minimum documentation requirements.)

5.01 Eligible Activities

Impact Fund Dollars **must** be used, only to the extent allowed in the Agreement and this Procedural Manual, for:

- Construction of new housing (New Construction);
- Acquisition, Rehabilitation, Resale of existing housing;
- Rehabilitation of existing owner-occupied housing (Owner-Occupied Rehabilitation), including reduction of interest rates in conjunction with Minnesota Housing's Community Fix Up Loan Program;
- Conversion to housing from another use;
- Financing to fill an Affordability Gap or Value Gap; or
- Other activities approved by Minnesota Housing.

Eligible activities **must** culminate in the rehabilitation, construction or purchase of a Qualified Dwelling Unit occupied by an Owner-Occupant.

5.02 Ineligible Activities

Impact Fund Dollars **must not** be used for:

- Non-owner occupied housing;
- Public infrastructure, including parks, community centers, municipal water, sewer, curbs and gutters, that is not directly related to the development or rehabilitation of Qualified Dwelling Units;
- The construction of private infrastructure that does not lie within the Land upon which the Qualified Dwelling Unit is located;
- Administration costs not connected to the development or rehabilitation of Qualified Dwelling Units;
- Individuals who want to refinance their existing loan;
- Improvements for commercial use; and
- Other activities not approved by Minnesota Housing.

5.03 New Construction

(See Appendix C for minimum documentation requirements.)

Prevailing Wage

Under certain circumstances, awards of agency funds may trigger state prevailing wage requirements under Minn. Stat. § 116J.871. In broad terms, the statute applies to awards that meet the following conditions: (1) new housing construction (not rehabilitation); and (2) a single entity receives from Minnesota Housing $200,000 or more of grant proceeds or $500,000

of loan proceeds. The statute excludes new housing construction in which total financial assistance at a single project site is less than $100,000.
Please note the following statutory provisions:

- A state agency may provide financial assistance to a person only if the person receiving or benefiting from the financial assistance certifies to the commissioner of labor and industry that laborers and mechanics at the project site during construction, installation, remodeling, and repairs for which the financial assistance was provided will be paid the prevailing wage rate as defined in section 177.42, subdivision 6. Minn. Stat. § 116J.871, subd. 2.

- It is a misdemeanor for a person who has certified that prevailing wages will be paid to laborers and mechanics under subdivision 2 [see above] to subsequently fail to pay the prevailing wage. Each day a violation of this subdivision continues is a separate offense. Minn. Stat. § 116J.871, subd. 3.

In addition, a separate prevailing wage statute, Minn. Stat. § 177.41-.43, may apply if funds are used for a building that is publicly owned or leased.

All questions regarding state prevailing wages and compliance requirements should be directed to the Department of Labor and Industry as follows:

Division of Labor Standards and Apprenticeship
Karen Bugar, State Program Administrator
443 Lafayette Road N, St. Paul, MN 55155
651-284-5091 or dli.prevwage@state.mn.us

Visitability
Visitable unit design and construction allow people with mobility impairments to enter and comfortably stay for a duration. Visitability must be met for the following types of Projects:

- New construction Projects receiving state-appropriated Impact Fund Dollars for Interim Loan financing; and
- New construction Projects completed under Agreements effective on or after June 1, 2018 that receive state-appropriated Impact Fund Dollars.

Visitability does not apply to projects using Impact Fund Dollars for only Affordability Gap.

To meet visitability, Properties must contain each of the following elements:

- 32-inch clear opening doorways throughout the Qualified Dwelling Unit;
- At least one no-step entrance; and

- A half bath, or larger bathroom, on the main level.

Minnesota Housing may waive the no-step entrance requirement if site conditions make the requirement impractical or if it reduces affordability. Minnesota Housing may waive the bathroom requirement if it reduces affordability. Minnesota Housing cannot waive the 32-inch clear opening doorways requirement. To request a waiver, contact Minnesota Housing.

An Administrator unsure of whether visitability applies to its Project should contact Minnesota Housing.

Green Communities Criteria
Each new construction Project must comply with the Enterprise Green Communities mandatory criteria as modified by the most current version of the Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, or another version approved by Minnesota Housing for use in the Project.

For additional requirements and guidance regarding Green Communities Criteria, please refer to Minnesota Housing's Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, available on Minnesota Housing's Impact Fund webpage.

Projects using Impact Fund Dollars for only Affordability Gap (and not for Value Gap or Interim Loan financing) are exempt from Green Communities Criteria.

Inspections
The Administrator must inspect Qualified Dwelling Units during the course of and upon completion of construction to determine that work has been done properly.

5.04 Acquisition, Rehabilitation, Resale
(See Appendix C for minimum documentation requirements.)

All Acquisition, Rehabilitation, Resale Projects must meet the following criteria:

- U.S. Department of Housing and Urban Development (HUD) Housing Quality Standards (HQS);
- The most current version of the Enterprise Green Communities Criteria as modified by the most current version of the Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, or another version approved by Minnesota Housing for use in the Project. However, if Impact Fund Dollars are used for only Affordability Gap (and not for Value Gap or Interim Loan financing), Green Communities Criteria do not apply.
- Notwithstanding the foregoing, Minnesota Housing Lead-~~-~~Based Paint Guide~~fbook~~ requirements must be satisfied if an Acquisition, Rehabilitation, Resale Project includes the identification and correction of lead-based paint related health and safety hazards.

Inspections

The Administrator must inspect Qualified Dwelling Units during the course of and upon completion of rehabilitation to determine that work has been done properly.

5.05 Owner-Occupied Rehabilitation

(See Appendix C for minimum documentation requirements.)

If Minnesota Housing awards an Administrator Impact Fund Dollars in the form of Deferred Loan Funds to conduct Owner-Occupied Rehabilitation activity for eligible Homeowner Households, all requirements of Chapter ~~6~~7 of this Procedural ~~m~~Manual~~,~~ ~~Part 1, Deferred Loan Funds~~, apply.

Green Communities Criteria are not applicable to Owner-Occupied Rehabilitation activity.

If an Owner-Occupied rehabilitation Project includes the identification and correction of health and safety hazards, the Minnesota Housing Lead-~~-~~Based Paint Guide~~book~~ must be followed.

Completion Certificate

At the completion of construction or rehabilitation work for all Owner-Occupied Rehabilitation Projects, the Administrator must document via a completion certificate that the work has been completed to the satisfaction of the Administrator and Owner-Occupant. Minnesota Housing's Impact Fund Owner-Occupied Rehabilitation Project Completion Certificate may be used for this purpose.

The preceding paragraph does not apply to Community Fix Up Loan Program interest rate write-down Projects. Instead, Community Fix Up Loan Program interest rate write-down Projects must adhere to completion certification requirements of the Community Fix Up Loan Program.

Coordination with Other Programs

Administrators must be knowledgeable of basic eligibility and referral sources for Minnesota Housing's Fix Up Loan Program, Minnesota Housing's Community Fix Up Loan Program, Minnesota Housing's Rehabilitation Loan Program/Emergency and Accessibility Loan Program, U.S. Department of Agriculture Rural Development Section 504 rehabilitation loans and grants, weatherization assistance, and other home rehabilitation and repair programs available, including those funded through the Minnesota Department of Employment and Economic Development's (DEED) Small Cities Development Program. For more information, refer to Minnesota Housing's website (including the Impact Fund Training section of the Impact Fund webpage), the Minnesota Homeownership Center's Home Rehab and Repair Matrix, DEED's website, and the U.S. Department of Agriculture's Minnesota Rural Development Single Family Housing Contacts.

The Administrator, or a Processing Entity, must:

- Review each Homeowner Household's basic eligibility for those other programs listed in the preceding paragraph which offer financing at more generous terms than is available with Impact Fund Dollars;
- Refer the Homeowner Household to programs offering financing at more-generous terms for which it appears to be eligible;
- Provide Homeowner Households with the opportunity to access those programs before providing a loan for Owner-Occupied Rehabilitation; and
- Document each review and referral in the Household/Borrower file.

The Administrator, or a Processing Entity, must also, prior to providing a loan for Owner-Occupied Rehabilitation, review each Homeowner Household's basic eligibility for and ability to repay a loan under the Minnesota Housing Fix Up Loan Program or Community Fix Up Loan Program according to a fair, reasonable and consistent standard and either:

- Offer the Homeowner Household a loan under the Fix Up Loan Program or Community Fix Up Loan Program if the Administrator or Processing Entity is a participating Fix Up Loan Program lender, or refer the Homeowner Household to a participating Fix Up Loan Program lender for a loan under the Fix Up Loan Program or Community Fix Up Loan Program; or,
- Document the Homeowner Household's ineligibility for or inability to repay a loan under the Fix Up Loan Program or Community Fix Up Loan Program.

5.06 Affordability Gap

(See Appendix C for minimum documentation requirements.)

Funds awarded for Affordability Gap must be used by the Administrator for one or more of the following specific uses, as approved by Minnesota Housing:

- The minimum downpayment amount required by a Homebuyer Household's first mortgage;
- A Homebuyer Household's settlement charges;
- Additional downpayment required for a Homebuyer Household to qualify for the first mortgage;
- Long-term (30+ years) subsidy tied to real Property;
- Other Affordability Gap assistance to a Homebuyer Household as approved by Minnesota Housing.

If required by HUD, Administrators that provide secondary financing, including but not limited to Affordability Gap Financing, to a Homebuyer Household also receiving an FHA-insured first mortgage must be approved by HUD and listed on HUD's Nonprofit Organization Roster.

Chapter 6 - General Administration of Impact Fund Award

(See Appendix C for minimum documentation requirements.)

6.01 Fund Types

Minnesota Housing will award Impact Fund Dollars to Administrators in the form of:

- An Interim Loan;
- A Deferred Loan;
- Deferred Loan Funds;
- A Bond Proceeds Loan; or
- Grant Funds.

6.02 Escrow Account

The Administrator must promptly deposit Impact Fund Dollars received to an escrow account it has established. Any interest earned on such funds while held in this escrow account may be used by the Administrator for activities eligible under the Impact Fund. The Administrator must maintain a detailed accounting of all of its escrow account(s) and, upon request by Minnesota Housing, provide a copy of such accounting to Minnesota Housing. The Administrator may commingle funds it is holding in escrow, provided that it maintains a separate ledger entry for Impact Fund Dollars received under each individual disbursement from Minnesota Housing.

6.03 Prohibition Against Layering Impact Fund Dollars

Administrators must not layer (combine) Impact Fund Dollars under two separate Impact Fund Awards in the same Project unless specifically approved in writing by Minnesota Housing. It is the Administrator’s responsibility to review all funding sources in a Project to ensure layering does not occur. Combining Grant Funds, Deferred Loan Funds, and Bond Proceeds from the same Impact Fund Award is not considering layering.

Interim Loan funds are exempt from this prohibition against layering.

To request a waiver to this prohibition against layering, the Administrator must submit a written request to layer funds to Minnesota Housing for review and approval as soon in the process as possible and allow a reasonable amount of time for Minnesota Housing to review it prior to closing. The written waiver request should include:

- A breakdown of Total Development Costs. For example, construction or rehabilitation costs, gap financing needs, and the proposed gap financing sources and amounts; and
- A written narrative that explicitly references each Impact Fund Award proposed to be layered and justifies the layering of funds.

6.04 Impact Fund Per-Unit Investment

If an Administrator seeks to exceed the typical or average per-unit investment provided for in the Agreement by more than 50 percent, or seeks to exceed the maximum per-unit investment provided for in the Agreement by any amount, the Administrator must obtain prior written approval from Minnesota Housing.

If no typical or average per-unit investment is explicit in the Agreement, the average is to be imputed by dividing the total dollar amount of funds awarded by the number of Projects or units to be completed as stated in the Agreement.

6.05 Eligible Costs

Eligible costs are hard costs and soft costs that are necessary, reasonable, relate directly to eligible activities and eligible Property or ~~Qualifed~~Qualified Dwelling Unit, are part of a Project, and that culminate in the purchase, construction or rehabilitation of a Qualified Dwelling Unit occupied by an Owner-Occupant.

Hard costs are:

- Land and Property acquisition;
- Demolition;
- Removal of existing structures;
- Site preparation;
- Construction or rehabilitation;
- Construction or rehabilitation of private infrastructure directly related to the Qualified Dwelling Unit such as connection to city water and sewer;
- Lead mitigation or abatement; and
- Other costs approved by Minnesota Housing.

Soft costs incurred by the Administrator must be reasonable and necessary, and must directly relate to the financing of acquisition, construction or rehabilitation of Qualified Dwelling Units. Soft costs are:

- A Developer Fee or an Administration Fee;
- Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups;
- Costs to settle the financing for a Qualified Dwelling Unit, such as:
    - Private lender origination fees;
    - Credit reports;
    - Fees for the title evidence;
    - Fees for recordation and filing of legal documents;
    - Attorney fees;
    - Real estate agent commissions; and
    - Appraisal and independent cost estimate fees;
- Costs of any audit that Minnesota Housing may require with respect to Impact Fund Dollars; and
- Other costs approved by Minnesota Housing.

6.06 Ineligible Costs

Ineligible Costs are:

- Costs reimbursed from another source;
- Reimbursement for the value of donated items such as labor, materials or property;
- Payment for labor performed by a member of the Household (e.g., homeowner labor);
- Costs not included in Section 6.05, Eligible Costs;
- Profit, overhead, wages, benefits, and other compensation to the Administrator, Processing Entity, or other entity affiliated with the Administrator or Processing Entity outside of a Minnesota Housing approved Administration Fee or Developer Fee, unless such costs have been approved in writing by Minnesota Housing; and
- Costs not approved by Minnesota Housing.

6.07 Administration Fees

Administrators not compensated by a Developer Fee may take an Administration Fee.

The Administration Fee is the total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for the making of a grant or a loan to a Household, supported by Impact Fund Dollars.

- The Administration Fee must not exceed actual costs to make a grant or a loan to a Household, supported by Impact Fund Dollars. Such costs are:
    - Securing and maintaining the funding source;
    - Household education specific to the Deferred Loan or grant;
    - Lender identification, communication, and coordination;
    - Requesting Impact Fund Dollars from Minnesota Housing;
    - Document preparation;
    - Tracking and reporting and other costs specific to the Impact Fund Award; and
    - Other costs as determined by Minnesota Housing.
- Administrators must disclose the Administration Fee in its Application for Funds.
- The maximum Administration Fee is $500 per Project, or a higher amount if approved by Minnesota Housing.
- Administration Fees higher than the maximum allowed fee of $500 per Project may be allowed if approved at the sole discretion of Minnesota Housing.
- Any fee charged to the Household must be disclosed to the Household in advance with a description of the costs the fee covers.

6.08 Developer Fees

Administrators directly involved in and bearing primary responsibility for the New Construction or Acquisition, Rehabilitation, Resale of a Qualified Dwelling Unit may charge a Developer Fee. This Developer Fee is paid at the time of closing from sale proceeds and must not exceed the lesser of 10 percent of the Project's Total Development Cost (less the Developer Fee), or the Developer Fee stated in the Application for Funds.

The Developer Fee is the total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for development services performed in a New Construction or Acquisition, Rehabilitation, Resale Project. The Administrator, Processing Entity, and any affiliate of the Administrator or Processing Entity, must earn no additional profit or compensation, nor include costs for wages, benefits or overhead in the Total Development Cost of a Project, without Minnesota Housing's written consent.

Administrators must not charge a Developer Fee when providing only Affordability Gap Financing or Owner-Occupied Rehabilitation financing to an eligible Household.

Administrators must not charge both an Administration Fee and a Developer Fee for the same Project.

Chapter 7 – Deferred Loans

(See Appendix C for minimum documentation requirements.)

7.01 General

Deferred Loan Funds may be used by the Administrator to:

- Provide Affordability Gap Financing for Homebuyer Households;
- Provide financing for Owner-Occupied Rehabilitation, or
- Support other eligible activities as specified in the Agreement.

Deferred Loans to Borrowers are a non-amortizing, zero interest, balloon loan which must be fully repaid by the Borrower in a lump sum at the end of the loan term.

Marketing Terms of Use

Administrator must follow Minnesota Housing's Terms of Use for marketing materials and the Agreement requirements for marketing and use of Minnesota Housing's name or logo.

7.02 Disbursements

To request funds, the Administrator must submit a Request for Funds form. The Request for Funds form is available on Minnesota Housing's Impact Fund webpage. Administrators must request Deferred Loan Funds only on a loan-by-loan basis and no sooner than upon the Administrator's or Processing Entity's commitment to lend to a Household on a specified closing date agreed to by the Administrator or Processing Entity and the Household.

Minnesota Housing reserves the right to disburse funds more conservatively. Minnesota Housing may withhold disbursements from current Impact Fund Awards until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

7.03 Loan Documents and Disclosures

The Administrator must originate Deferred Loans for Borrowers in accordance with all applicable laws, rules, and regulations regarding the origination and disclosure of mortgage loans. The Administrator must disclose to the Borrower(s) that the Deferred Payment Loan Program is structured as a balloon with payment deferred for the length of the loan term or until repayment in accordance with the terms of the Impact Fund (Balloon) Loan Note. Consult with your compliance department or legal counsel for guidance on completing required disclosures.

For each Deferred Loan the Administrator or a Processing Entity originates, the Administrator must ensure it has a fully executed, valid, and enforceable Impact Fund (Balloon) Loan Mortgage and Impact Fund (Balloon) Loan Note using the forms provided by Minnesota Housing and available on Minnesota Housing's Impact Fund webpage.

The Impact Fund (Balloon) Loan Mortgage is the legal document used to secure a loan against a Qualified Dwelling Unit. Anyone with an ownership interest in the mortgaged Property or ~~Qualifed~~Qualified Dwelling Unit, including at least one member of the Household, is required to be a party to the Impact Fund (Balloon) Loan Mortgage. The Impact Fund (Balloon) Loan Mortgage must be assigned to Minnesota Housing.

The Impact Fund (Balloon) Loan Note is legal evidence of the debt to be repaid. The Impact Fund (Balloon) Loan Note must be endorsed to Minnesota Housing. All parties whose income must be included when calculating Annualized Gross Income according to Section 3.07 of this Procedural Manual must execute the Impact Fund (Balloon) Loan Note.

7.04 E-Signature

Minnesota Housing accepts electronic signatures (eSignatures) on loan documents executed under the Impact Fund Program to the extent Lender complies with all applicable state and federal electronic signature laws, as well as any counterparty requirements (e.g. Fannie Mae, Federal Housing Administration, US Bank HFA Division). However, eSignatures are not acceptable on any document that needs to be recorded with the county. Under no circumstances may a borrower be required to use electronic signatures.

7.05 Manufactured Housing

Manufactured homes taxed as personal property may be eligible Qualified Dwelling Units. Unless explicitly identified in the Agreement, an Administrator that seeks to serve a Household purchasing or rehabilitating a manufactured home taxed as personal property using Deferred Loan Funds must contact Minnesota Housing prior to assisting the Household. Such Projects are approved at the sole discretion of Minnesota Housing. Manufactured homes taxed as real property should be treated like all other Qualified Dwelling Units taxed as real property.

7.06 Nationwide Mortgage Licensing System (NMLS) Registration

In compliance with the S.A.F.E. Act, all Administrators and Processing Entities, including local units of government and non-traditional lenders, must determine which staff members are considered individual mortgage loan originators and must comply with the S.A.F.E. Act and which staff members are exempt from compliance with it.

The Minnesota Department of Commerce requires (pursuant to MS §58A.03 subd.2) all mortgage lenders and entities deemed exempt to register with the Nationwide Mortgage Licensing System & Registry and obtain a unique identifier number.

7.07 Repayment

Unless otherwise outlined in the Agreement, Borrower(s) must repay Deferred Loans according to the terms of the Impact Fund (Balloon) Loan Mortgage and Impact Fund (Balloon) Loan Note.

Deferred Loans made by Minnesota Housing to the Administrator must be repaid according to the terms of the Agreement.

7.08 Delivery of Loans to Minnesota Housing

For each Deferred Loan originated, the Administrator must forward to Minnesota Housing the Deferred Loan documentation listed in the Deferred Loan Closing Instructions and Deferred Loan Transmittal Form. The documents must be delivered in the same form, order, and timeline prescribed in the Deferred Loan Closing Instructions and Deferred Loan Transmittal Form. The Deferred Loan Closing Instructions and Deferred Loan Transmittal Form are available on Minnesota Housing's Impact Fund webpage.

7.09 Servicing

Deferred Loans to Borrowers will be assigned a designated servicer by Minnesota Housing. Deferred Loans to Borrowers are typically serviced by AmeriNat, although Minnesota Housing may, at its discretion, designate other servicers. Servicing inquiries, including satisfaction and subordination requests, should be directed to AmeriNat, unless another servicer is designated by Minnesota Housing.

7.10 Assumption

Deferred Loans are not assumable.

7.11~~0~~ Hardship Policy

Minnesota Housing has in place a hardship policy for its Deferred Loans to Borrowers that allows forgiveness either in part or whole if the Household is experiencing severe financial hardships that prevent full repayment of indebtedness. Please contact Minnesota Housing for more information regarding this policy.

Chapter 8 – Housing Infrastructure Bond Proceeds Loans

(See Appendix C for minimum documentation requirements.)

8.01 General

Minnesota Housing may issue its State Appropriation Bonds (Housing Infrastructure) and use Bond Proceeds to make Bond Proceeds Loans to Administrators to finance the costs related to acquisition, construction or rehabilitation of the Qualified Dwelling Units~~single family houses~~ including,~~following costs related to Land owned by or to be owned by a Community Land Trust:~~

- Construction or rehabilitation costs up to the amount of the ~~Provide~~ Value Gap- for the Qualified Dwelling Unit~~financing~~;
- For Community Land Trusts, the actual costs of the ~~A~~acquisition of Land, ~~;~~
- ~~D~~demolition and site clearing, ~~;~~ an~~d/or~~
- ~~U~~d Utility Connections related to land owned by or to be owned by a Community Land Trust; ~~and/or.~~
- For non-Community Land Trusts, the acquisition of Land, demolition and site clearing, and Utility Connections up to the amount of the Value Gap for the Qualified Dwelling Unit; and
- Owner-Occupied Rehabilitation.

Any demolition, site clearing or Utility Connections financed by a Bond Proceeds Loan to an Administrator must be completed prior to conveyance of the Qualified Dwelling Unit to an Owner-Occupant.

8.02 Properties Eligible to be Financed with Bond Proceeds Loans

~~When Bond Proceeds are lent to an Administrator~~If any costs are to be reimbursed with Bond Proceeds Loan funds ~~to pay costs of~~ related to a Project, those costs related to the associated Property or ~~Qualifed~~Qualified Dwelling Unit must have been ~~acquired~~ incurred no earlier than the date specified on the *Certificate of Administrator as to Expenditure of ~~Deferred Loan –~~ Bond Proceeds* provided by Minnesota Housing.

8.03 Additional Documentation Required

Files for Projects receiving a Bond Proceeds Loan must, at minimum, contain the documents in Appendix C to this Procedural Manual.

In addition, within 14 days of the sale of a Property or ~~Qualifed~~Qualified Dwelling Unit funded in whole or in part by a Bond Proceeds Loan, the Administrator must provide Minnesota Housing the documentation stated below for the ~~following~~ applicable uses:

Land Acquisition, Demolition and Utility Connections for Community Land Trusts

- A certificate identifying the amount of the Bond Proceeds Loan applied to a Project and the costs of any eligible ~~land~~ acquisition of Land, site clearing, demolition and Utility Connections for the Project. ~~Minnesota Housing has provided t~~The *Certificate of*

Administrator as to Expenditure of ~~Deferred Loan –~~ Bond Proceeds ~~a~~is the required form to be used for this purpose. This *Certificate of Administrator as to Expenditure of ~~Deferred Loan –~~ Bond Proceeds* must be executed by an officer of the Administrator responsible for its financial management or reporting;

- The market value of the real Property relating to the Project (evidenced by a current appraisal accompanying the *Certificate of Administrator as to Expenditure of ~~Deferred Loan –~~ Bond Proceeds*); and
- The Household Demographic Project Information Form.

Value Gap

- A certificate identifying the amount of the Bond Proceeds Loan applied to a Project and the eligible development costs ~~of any eligible value gap~~ for the Project. ~~Minnesota Housing has provided t~~The *Certificate of Administrator as to Expenditure of Bond Proceeds* ~~a~~is the required form to be used for this purpose. This *Certificate of Administrator as to Expenditure of Bond Proceeds* must be executed by an officer of the Administrator responsible for its financial management or reporting;
- Documentation of development cost(s) that include the following:
    - Evidence that the cost(s) is directly related to the identified P~~p~~roperty ~~or Qualified Dwelling Unit~~ (e.g., purchase agreement for the home or lot, receipt or invoice with the address of the property); and
    - Evidence that the amount of the cost(s) is more than or equal to the requested bond proceeds disbursement.
- The Household Demographic Project Information Form.

Owner-Occupied ~~Rehabilitaton~~Rehabilitation

- A certificate identifying the amount of the Bond Proceeds Loan applied to a Project and the costs of any eligible owner-occupied rehabilitation for the Project. ~~Minnesota Housing has provided t~~The *Certificate of Administrator as to Expenditure of Bond Proceeds* ~~a~~is the required form to be used for this purpose. This *Certificate of Administrator as to Expenditure of Bond Proceeds* must be executed by an officer of the Administrator responsible for its financial management or reporting;
- Documentation of rehabilitation cost(s) that include the following:
    - Evidence that the cost(s) is directly related to ~~costs for~~ the identified ~~Pproperty or~~ Qualified Dwelling Unit (e.g., receipt or invoice with the address of the property); and
    - Evidence that the amount of the cost(s) is more than or equal to the requested bond proceeds disbursement.
- The Household Demographic Project Information Form.

8.04 Disbursement of Bond Proceeds Loans

To request disbursements of Bond Proceeds Loans, the Administrator must submit a Request for Funds form and the documentation required under Section 8.03 of this Procedural Manual. The Request for Funds form is available on Minnesota Housing's Impact Fund webpage.

Minnesota Housing may disburse Bond Proceeds to the Administrator to fund a Bond Proceeds Loan as follows:

- Up to one-third of the total award of Bond Proceeds Loan is available in the first disbursement upon Administrator's request and at the discretion of Minnesota Housing.
- When the Administrator has demonstrated significant progress, Minnesota Housing, at its discretion, will make further disbursements to the Administrator upon receipt of additional Request for Funds forms.

Minnesota Housing reserves the right to disburse funds more conservatively and may withhold disbursements until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

8.05 Repayment of Bond Proceeds Loans

The ~~CLT~~ Administrator must repay Bond Proceeds Loans upon the occurrence of events, and at the times, set forth in the Agreement.

Chapter 9 – Grant Funds

(See Appendix C for minimum documentation requirements.)

9.01 General

Grant Funds may be used by the Administrator to:

- Provide Value Gap financing; or
- Finance other eligible activities, as approved by Minnesota Housing, that preserve long term affordability or for which repayment is economically infeasible.

9.02 Disbursements

To request funds, the Administrator must submit a Request for Funds form. The Request for Funds form is available on Minnesota Housing's Impact Fund webpage.

Minnesota Housing may disburse Grant Funds to the Administrator as follows:

- Up to one-third of the total award of Grant Funds is available in the first disbursement upon Administrator's request and at the discretion of Minnesota Housing.
- When the Administrator has demonstrated significant progress, Minnesota Housing, at its discretion, will make further disbursements to the Administrator upon receipt of additional Request for Funds forms.

Minnesota Housing reserves the right to disburse funds more conservatively and may withhold disbursements until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

9.03 Repayment

Repayment conditions are specified in the Agreement.

Chapter 10 – Interim Loans

(See Appendix C for minimum documentation requirements.)

10.01 General

Minnesota Housing may provide an Interim Loan to an Administrator to acquire, rehabilitate, demolish, and construct Qualified Dwelling Units. Whether and at what rate an Interim Loan bears interest is outlined in the Agreement.

If an Interim Loan bears interest, interest will accrue from the date of disbursement to the date of repayment.

10.02 Disbursements

To request funds, the Administrator must submit a Request for Funds form and documentation of the acquisition, demolition, or start of construction of the Projects for which it is requesting funds. The Request for Funds form is available on Minnesota Housing's Impact Fund webpage. Minnesota Housing may withhold disbursements until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

10.03 Repayment

The term of an Interim Loan is 20 months unless otherwise specified in the Agreement. Interim Loan funds and interest accrued must be repaid on or before the repayment date or termination of availability date noted in the Agreement. Specific repayment requirements are detailed in the Agreement. Contact Minnesota Housing with any questions about repayment procedure and amounts due.

10.04 Assumption

Interim Loans are not assumable.

Chapter 11 – Records Retention and Reporting

11.01 Records Retention

Administrators must maintain copies of all books, records, Project files, documents, and accounting procedures related to the Agreement during the term of the Agreement and for a minimum of six years after the termination or expiration of the Agreement. These documents are subject to examination by Minnesota Housing, the State of Minnesota, the State Auditor, and the Legislative Auditor.

11.02 Reporting Individual Household Demographic and Project Information

Administrators must submit a Household Demographic Project Information form to Minnesota Housing for each Project either upon Project completion as described in this Section 11.02, or when:

- All eligible activities to be performed on a Project have been performed in accordance with the Agreement;
- The Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant; and
- If the Project is supported by Deferred Loan Funds, all necessary Deferred Loan documents have been executed and, where required, submitted for recording.

The Household Demographic Project Information Form template is available on Minnesota Housing's Impact Fund webpage.

Project Completion by Activity Type

A Project is considered complete for each activity type when the requirements below are met.

- New Construction: A New Construction Project is complete when construction has been completed, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 7.07 of this Procedural Manual.
- Acquisition, Rehabilitation, Resale: An Acquisition, Rehabilitation, Resale Project is complete when rehabilitation and any construction has been completed, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 7.07 of this Procedural Manual.
- Owner-Occupied Rehabilitation: An Owner-Occupied Rehabilitation Project, except for a Community Fix Up Loan Program interest rate write-down Project, is complete once any loan closing and all rehabilitation has been completed, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 7.07 of this Procedural Manual.

- Community Fix Up Loan Program Interest Rate Write-Down: A Community Fix Up Loan Program interest rate write-down Project is complete when the loan closing is complete and all necessary documents have been recorded and delivered to Minnesota Housing and the servicer, as designated under the Fix Up Loan Program.
- Affordability Gap: An Affordability Gap Project is complete when the Affordability Gap Financing has been expended, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 707 of this Procedural Manual.

11.03 Annual Reporting

Administrators must provide an annual report known as the Impact Fund Annual Report/Final Close Out Report for each open Impact Fund Award. The format for this report is available on Minnesota Housing's Impact Fund webpage.

11.04 Close Out Reporting

Administrators must submit an updated Impact Fund Annual Report/Final Close out Report when an Impact Fund Award is completed. An Impact Fund Award is complete when:

- All Impact Fund Dollars have been expended in accordance with the Agreement, or returned to Minnesota Housing;
- All Projects have been completed as described in Section 11.02 of this Procedural Manual; and
- All completed Projects have been reported to Minnesota Housing via Household Demographic Project Information forms as described in Section 11.02 of this Procedural Manual, or via another format approved by Minnesota Housing.

Appendix A: Definitions

TERM	DEFINITION
Accommodation Party	Anyone with an ownership interest in an eligible Property or Qualified Dwelling Unit that is not a Borrower. Examples include but are not limited to a non-borrowing relative, spouse, or heir in title to an eligible Property or Qualified Dwelling Unit, or a seller of a contract-for-deed to an Owner-Occupant Household.
Acquisition, Rehabilitation, Resale	Eligible Acquisition, Rehabilitation, Resale activity as described in Chapter 4 of this Procedural Manual.
Administrator	The entity with which Minnesota Housing has a contractual relationship to administer Impact Fund Dollars, including the entity identified as a “Grantee” in a Grant Contract, and any successors or assigns approved in writing by Minnesota Housing. Eligible Administrators include cities, housing and redevelopment authorities, joint powers boards established by two or more cities, federally recognized American Indian tribes or subdivisions located in Minnesota, tribal housing corporations, non-profit organizations, Private Developers, and Public Housing Agencies.
Administration Fee	The total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for services performed in an Owner-Occupied Rehabilitation or stand-alone Affordability Gap Project, as described in Section 6.07 of this Procedural Manual.
Affordability Gap	The difference between the total cost of acquiring the Property, generally determined by the Fair Market Sales Price of the Property, and the amount of the first mortgage loan for which the Owner-Occupant qualifies based on industry standard, prudent underwriting practice.
Affordability Gap Financing	A Deferred Loan or Grant Funds used, in amounts not exceeding the Affordability Gap, to assist a Household in the acquisition of a Property.
Affordable to the Local Work Force	The amount of housing payments made by the occupants of housing funded under the Economic Development and Housing Challenge Fund is affordable based on the wages of jobs being created or retained in the local area, the fastest growing jobs in the local area, the jobs with the most openings in the local area, or the wages of the workforce employed by organizations making contributions under the Economic Development and Housing Challenge Fund. Housing payments are affordable if they do not exceed 30 percent of the wages being paid in the local area as the wages are described in the application for Economic Development and Housing Challenge Fund funding.

Agreement	A Fund Availability, Disbursement and Loan/Grant Agreement, a Grant Contract, or a Loan Contract.

TERM	DEFINITION
American Indian Household	A Household containing at least one person enrolled in a federally recognized tribe.
Annualized Gross Income	Gross monthly income multiplied by 12. (See Chapter ~~2~~3 of this Procedural Manual.)
Application for Funds	The application for funds prepared by an Administrator and submitted in response to the Single Family RFP as accepted in writing or electronically by Minnesota Housing including any conditions, restrictions or limitations contained in the Agreement.
Bond Proceeds	Proceeds of Minnesota Housing's State Appropriation Bonds (Housing Infrastructure) that are disbursed by Minnesota Housing to the Administrator as a deferred, 0 percent interest loan for the acquisition, , ~~of, demolition on, or Utility Connections on Land owned or to be owned by a Community Land Trust~~; ~~including~~ construction and rehabilitation of ~~the single family houses~~Qualified Dwelling Units; and for the acquisition of Land and demolition and Utility Connections related to Land owned by or to be owned by a Community Land Trust.~~,~~
Bond Proceeds Loan	A deferred, 0 percent interest loan made by Minnesota Housing to the Administrator from Bond Proceeds for the purposes set forth in the Agreement.
Borrower	A person who is obligated to repay a Deferred Loan, typically under an Impact Fund (Balloon) Loan Note, and is a member of a Household.
Co-Signer	A person who is obligated to repay the underlying mortgage loan (signer of the mortgage note) but who is not in title to the subject Property or Qualified Dwelling Unit and has not signed the mortgage deed.
Community Land Trust ~~(CLT)~~	A private, non-profit organization that is designated a Section 501 (c) (3) tax-exempt organization and that is authorized to acquire Land to be leased for owner-occupied single family housing for low-and-moderate-income persons or families and that meets the criteria set forth in Chapter 3 of this Procedural Manual.
~~CLT Project~~	~~A Project on Land that is owned or to be owned by a Community Land Trust and leased to one or more members of a Household.~~
CRV	Minnesota Housing's Community Revitalization Program, now known as the Community Homeownership Impact Fund Program.
Deferred Loan	A 30-year non-amortizing, zero interest deferred loan funded by Impact Fund Dollars that is made to a Household or to an Administrator that must be repaid to the extent provided in the Agreement and Chapter 6 of this Procedural Manual.

Deferred Loan Funds	Funds reserved by Minnesota Housing for use by the Administrator to provide Deferred Loans to Households for Affordability Gap Financing or Owner-Occupied Rehabilitation.
Developer Fee	The total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for development services performed in a New Construction or Acquisition, Rehabilitation, Resale Project.

TERM	DEFINITION
Fair Market Sales Price	The market value of a Property as determined in an appraisal as completed by a licensed, qualified, third party appraiser at the time of sale to the Homebuyer Household, in accordance with the Uniform Standards of Professional Appraisal Practice.
Fund Availability, Disbursement and Loan/Grant Agreement	A legal contract executed between Minnesota Housing and an Administrator and that may be amended or supplemented in writing according to its terms.
Grant Funds	Funds awarded by Minnesota Housing to an Administrator in accordance with the Agreement.
Grant Contract	A legal contract executed between Minnesota Housing and an Administrator providing Impact Fund Dollars in the form of a grant.
Green Communities Criteria	The Enterprise Green Communities criteria as modified by Minnesota Housing's Minnesota Overlay and Guide to the Enterprise Green Communities Criteria.
Homebuyer Household	A type of Household that is eligible to purchase a Property or Qualified Dwelling Unit and benefits from the use of an Impact Fund Award in the New Construction or the Acquisition, Rehabilitation, Resale of a Qualified Dwelling Unit and/or Affordability Gap Financing to acquire a Property or Qualified Dwelling Unit.
Homeowner Household	A type of Household eligible to use Impact Fund Dollars for the rehabilitation of a Qualified Dwelling Unit in which the Household has an ownership interest and that occupies the subject Property or Qualified Dwelling Unit as its Principal Residence.
Household	A Homebuyer Household or Homeowner Household.
Housing Ratio	The proportion of a Household's monthly gross income (Annualized Gross Income divided by 12) necessary to pay monthly Property expenses, which are: monthly first-mortgage principal and interest charges, subordinate mortgage principal and interest charges, Property taxes, hazard insurance, mortgage insurance, homeowners' association fees, land trust ground lease fees, and manufactured home park lot rent.
HQS	U.S. Department of Housing and Urban Development Housing Quality Standards.

TERM	DEFINITION
HUD	The U.S. Department of Housing and Urban Development.
Impact Fund	Minnesota Housing's Community Homeownership Impact Fund Program.
Impact Fund Award	Impact Fund Dollars awarded to an Administrator by Minnesota Housing for a specific purpose and governed by a Fund Availability, Disbursement and Loan/Grant Agreement, Grant Contract, or Loan Contract, or some combination of those.
Impact Fund Award Identification (ID) Number	The identifier assigned to an Administrator's Impact Fund Award and listed on an Agreement and which should be used on forms and correspondence with Minnesota Housing.
Impact Fund Dollars	The aggregate funds that Minnesota Housing reserves and makes available to the Administrator for eligible activities under one or more Agreements.
Indian Housing Set-Aside Funds	The Economic Development Housing Challenge set-aside funding awarded under the Impact Fund to an Administrator to exclusively serve American Indian Households by conducting eligible activities under the Agreement.
Interim Loan	A short-term loan made to an Administrator to assist with acquiring, demolishing, rehabilitating or constructing homes for Owner-Occupants.
Land	The real property upon which Qualified Dwelling Units are located or are to be constructed.
Level 3 Monitoring Exception	A monitoring finding that is a critical exception and requires a response by the Administrator. Level 3 findings are usually violations of published program guidelines and may significantly increase the overall risk to the program/project. A Level 3 finding is the only type of monitoring exception that requires a response.
Lien Waiver	A legal document that is executed by a contractor, subcontractors and material suppliers under which they relinquish any right they may have to place a lien on the Property for work performed or materials supplied.
Loan Contract	A legal contract executed between Minnesota Housing and an Administrator providing Impact Fund Dollars in the form of Deferred Loan Funds, a deferred loan funded by Bond Proceeds, or an Interim Loan.
New Construction	Eligible New Construction activity as described in Chapter 4 of this Procedural Manual.
Owner-Occupant	A Household whose income does not exceed the Impact Fund Eligibility Income as described in Section 3.07 of this Procedural Manual and who owns the Qualified Dwelling Unit and uses it as its Principal Residence. A Household that has purchased a Qualified Dwelling Unit subject to a contract-for-deed is considered an Owner-Occupant.
Owner-Occupied Rehabilitation	Eligible Owner-Occupied Rehabilitation activity described in Chapter 45 of this Procedural Manual.

TERM	DEFINITION
Plans and Specifications	Documents including drawings, diagrams or sketches that describe the work to be done, as well as all measurements and construction details and a detailed list of the products and materials.
Principal Residence	The Property or Qualified Dwelling Unit which the Household regularly occupies as its main dwelling place for at least nine months of the year.
Private Developer	An individual or a for-profit nongovernmental entity, including a cooperative housing corporation as defined in Minnesota Rule 4900.0010, subpart 8, and a limited dividend entity as defined in part Minnesota Rule 4900.0010, subpart 14.
Processing Entity	An entity that has a contractual relationship with an Administrator and has been approved by Minnesota Housing to conduct eligible activities under the Impact Fund.
Procedural Manual	This Community Homeownership Impact Fund Program Procedural Manual.
Project	The housing development activity associated with a Property or Qualified Dwelling Unit. The housing development activity is the approved activity carried out in accordance with the Agreement.
Property	The Land and the Qualified Dwelling Unit(s) situated thereon.
Public Housing Agency	Any state, county, municipality or other governmental entity or public body (or agency or instrumentality thereof) that is authorized to engage or assist in the development or operation of low-income housing.
Qualified Dwelling Unit	A structure consisting of one-to-four units, a condominium, or a townhouse that is or will be occupied by the Homeowner Household or Homebuyer Household as its Principal Residence and that is located on or will be constructed on Land and is part of a Project.
Single Family Request for Proposal (RFP)	The process by which the Single Family Division of Minnesota Housing solicits Administrator Applications for Funding under the Impact Fund.
Scope of Work	A detailed outline of the necessary rehabilitation work to be completed on the Project.
Sworn Construction Statement	A sworn statement of fact made by a general contractor that lists all of the work to be performed on a Qualified Dwelling Unit, the subcontractors who will perform the listed work, material suppliers who will supply materials for the listed work, and the cost of each individual item of work and item of material that will be supplied.
Total Development Cost	Total eligible costs of a Project as described in Section 6.05 of this Procedural Manual.
Tribal Indian Housing Program	Minnesota Housing’s Tribal Indian Housing Program.
Tribal Land	Any Land owned or governed by a federally recognized tribe.

TERM	DEFINITION
Underserved Populations	Households of color or Hispanic ethnicity, single heads of Households with minor children, and Households with a disabled member(s).
Utility Connections	Connections on the Land from utilities in the street or alley to a Qualified Dwelling Unit, limited to the following: • Connection of gas supply to a Qualified Dwelling Unit's gas service regulator. • Connection of utility electrical supply to the electricity meter at a Qualified Dwelling Unit. • Connection of municipal water supply to a water meter located inside a Qualified Dwelling Unit. • Connection of sanitary sewer to the Qualified Dwelling Unit (i.e., construction or replacement of the house sewer between the • sewer and the building drain). The waste stacks within the walls of a Qualified Dwelling Unit are not included in this definition. • If required by a local municipality: Connection of storm sewer service to the Qualified Dwelling Unit and/or any storm water retention system located on the Property.
Value Gap	The difference between the Total Development Cost of a Project and the Fair Market Sales Price of the Property.

Appendix B: Forms List

The forms listed below are available on Minnesota Housing's Impact Fund webpage.

Certificate of Administrator as to Expenditure of Bond Proceeds
Extension Request
Household Demographic Project Information Form
Impact Fund Annual Report/Final Close Out Report
Impact Fund Deferred Loan Closing Instructions and Deferred Loan Transmittal Form
Impact Fund (Balloon) Loan Mortgage
Impact Fund (Balloon) Loan Note
~~Lead-Based Paint Summary~~Lead-Based Paint Guide
Non-Occupant Spouse Statement
Owner-Occupied Rehabilitation Project Completion Certificate
Request for Funds
Zero Income Statement

Appendix C: Required Program Documentation

A. ADMINISTRATOR FILE

	Annual/Progress Reports (if applicable)
	The Agreement
	Application for Funds
	Evidence of Minnesota Housing staff approval of Program-, Household-and/or-Property–specific Waiver(s), as applicable.
	Request(s) for Funds
	General ledger and any sub ledger(s) evidencing all Project revenues, including Impact Fund Dollars received, and Project expenditures

B. HOUSEHOLD/BORROWER FILE

Household Last Name	First Name	Middle Initial
Property Address	City	Impact Fund Award Number

	Household's/Borrower's application(s) for assistance (for Owner-Occupied Rehabilitation Projects and Homebuyers receiving Affordability Gap assistance)
	Evidence of Tennessen and data privacy disclosure
	Verification of American Indian tribal affiliation/membership (if applicable)
	Appraisal completed, at the time of sale to the Homebuyer by a licensed, qualified, third party appraiser in accordance with the Uniform Standards of Professional Practice (not required for Owner-Occupied Rehabilitation)
	Assignment of Mortgage to MHFA (if applicable)
	Impact Fund (Balloon) Loan Mortgage and Impact Fund (Balloon) Loan Note (for Borrowers receiving Impact Fund Deferred Loans)
	Good Faith Estimate & Truth-in-Lending disclosure, a Loan Estimate, or memorandum explaining exemption from disclosure requirements (for Borrowers receiving Impact Fund Deferred Loans)
	Documented method to determine Affordability Gap (for Households receiving Affordability Gap assistance)

	Evidence of eligibility review and referral for other programs/(in)ability to repay a Fix Up loan (for Households receiving Owner-Occupied Rehabilitation loans)
	Borrower's first-mortgage Uniform Residential Loan Application (Fannie Mae Form 1003) (for Households receiving Affordability Gap assistance)
	Lender/Owner's title insurance policy (if purchased) or attorney's title opinion
	Income verification, including but not limited to the prior year's federal income tax returns and one month of recent paystubs or nonwage income statements
	Non-Occupant Spouse Statement (if applicable)
	Zero Income Statement (if applicable)
	Annualized Gross Income Worksheet (optional)
	Proof of ownership – copy of deed with recent verification from a recorder's office, Certificate of Title, a title report, or an Owners & Encumbrance Report
	Purchase agreement (if applicable)
	Settlement statement or closing document (HUD-1, HUD-1A, or Closing Disclosure), or memorandum explaining exemption from disclosure requirements
	Notice of Homeowner's Right of rescission (for Households receiving Owner-Occupied Rehabilitation loans)
	Household Demographic Project Information Form
	Land Lease Agreement (if applicable)

C. CONSTRUCTION/PROPERTY FILE

1	**New Construction and Acquisition, Rehabilitation, Resale**
	Documentation of Project budget (e.g., sources and uses, pro forma) and determination of Value Gap
	Documentation of expenses, payables, receivables and revenues including but not limited to all books, records, bills, invoices, receipts, and statements of account
	Purchase agreements
	Settlement statements
	Appraisal(s) establishing Fair Market Sales Price
	Certificate of Occupancy, certificate of completion, or installation compliance certification
	Evidence of clear predevelopment title (e.g., Title Insurance)
	Final Project Budget/Cost Summary/Sources and Uses document (including documented determination of Value Gap)
	Scope(s) of Work (only for rehabilitation)
	Before and after pictures of rehabilitation work

	Documentation of the bidding and/or purchasing process, including bids/cost estimates for improvements
	Contracts and change orders
	Evidence that no contractor used is debarred or suspended
	Site and Building Plans and Specifications (only for New Construction)
	Survey (only for New Construction)
	Sworn Construction Statement(s)
	Lien waivers corresponding to the Sworn Construction Statement(s)
	Evidence of Foreclosed or Abandoned Property, as required by the Agreement (If using Bond Proceeds awarded in October 2012; see Chapter 7 for specific requirements)
	Housing Infrastructure Bond Proceeds Certificate, if applicable (See Chapter 7 for details)

2	**Green Communities Compliance**
	Minnesota Housing-approved Green Communities Criteria Waivers (if applicable)
	Pre-construction:
	Intended Methods Worksheet
	Acquisition, Rehabilitation, Resale: Energy Audit and Energy Efficiency Improvement Plan or HERS rater energy model
	Acquisition, Rehabilitation, Resale: Post-renovation energy auditor inspection report or HERS rater report
	Acquisition, Rehabilitation, Resale~~ of homes built prior to 1978~~: Lead--Based Paint Risk Assessment,~~ or~~ Inspection Report, and Lead Hazard Clearance Report, if applicable
	~~Acquisition, Rehabilitation, Resale of homes built prior to 1978: Lead Based Paint Summary and, if required, a Lead Hazard Clearance Report~~
	Acquisition, Rehabilitation, Resale: Radon Testing Report(s)
	New Construction: HERS rater energy model to ENERGY STAR® Certified New Home standards
	New Construction: ENERGY STAR® Certified New Home certificate
	Post-construction:
	Intended Methods Worksheet including End of Construction Compliance Certification, or Enterprise Green Communities Certification

Stand-alone Affordability Gap activity and Owner-Occupied Rehabilitation activity aref exempt from Green Communities Compliance.

3	**Owner-Occupied Rehabilitation**
	Documentation of Project budget (e.g., sources and uses)
	Documentation of expenses, payables, receivables and revenues including but not limited to all books, records, bills, invoices, receipts, and statements of account

	Rehabilitation Scope(s) of Work
	Documentation of the bidding and/or purchasing process including bid(s)/cost estimate(s) for the Scope(s) of Work
	Contracts for rehabilitation, including any change orders (not applicable to Community Fix Up Loan Program write-down Projects)
	Completion certificate(s) (not applicable to Community Fix Up Loan Program write-down Projects)

For Projects on Tribal Land, Minnesota Housing may accept additional or alternative documentation to that listed above.

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MINNESOTA HOUSING

Board Agenda Item: 6.B
Date: 12/16/2021

Item: Approval, Program Guide Waiver, Rental Rehabilitation Deferred Loan (RRDL)
- Ridgeway Court III, D0140, Bemidji, MN
- Ridgeway Court IV, D0141, Bemidji, MN

Staff Contact(s):
Betsy Michels, 651.297.3741, betsy.michels@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☒ Resolution	☐ Information

Summary of Request:
Agency staff requests board adoption of a resolution authorizing a waiver to the Rental Rehabilitation Deferred Loan (RRDL) Program Guide Section 5.02 to allow for deposits to replacement reserves for Ridgeway Court III (D0140) and Ridgeway Court IV (D0141).

Fiscal Impact:
RRDL loans do not earn interest for the Agency.

Meeting Agency Priorities:
☐ Improve the Housing System
☒ Preserve and Create Housing Opportunities
☐ Make Homeownership More Accessible
☐ Support People Needing Services
☒ Strengthen Communities

Attachments:
- Background
- Resolution

Background:

On March 26, 2020, Minnesota Housing board members selected the developments, Ridgeway III and Ridgeway IV, for $500,000 Rental Rehabilitation Deferred Loan (RRDL) loans as a part of the 2019 RRDL Rural Development (RD) Request for Proposals (RFP) selections in Resolution 20-009. On December 1, 2021, the Mortgage Credit Committee approved funding increases of $27,616 for Ridgeway Court III and $34,056 for Ridgeway Court IV due to higher than anticipated bids under Board Delegation 005.

Built in 1991, Ridgeway III and Ridgeway IV are two 24-unit developments located in Bemidji. The selected scope of work included repairs to the security camera system, window replacement, parking lot and sidewalk replacement, and unit upgrades.

In August 2021, due to persistent security breaches, vandalism, potential safety threats to the residents, and the urgency of this work, the management company completed the security camera repair work. The completed work, totaling $24,808.87 at each development, was paid from existing property reserves. That expense depleted the reserves, and the replacement reserves have a remaining balance of $9,316.38 at Ridgeway Court III and $5,686.13 at Ridgeway Court IV.

Section 5.02 of the RRDL Program Guide states that operating and/or replacement reserves are not eligible expenses. Due to the unique nature of this situation, including the urgent need for security camera upgrades and because the scope of work was part of the original selection, staff is recommending a waiver of that provision of the Guide to allow a deposit to replacement reserves upon closing of these two RRDL loans.

Staff anticipates the project will close in early 2022.
The following chart summarizes changes in the composition of the proposals since selection:

Sources and Uses

	Ridgeway Court III		Ridgeway Court IV	
	Amount at Selection	Current Amount	Amount at Selection	Current Amount
SOURCES				
RRDL Loan	$ 500,000	$ 527,616	$ 500,000	$ 534,056
USES				
Construction	$ 421,500	$ 426,415	$ 429,000	$ 432,270
Contingency	$ 29,780	$ 42,642	$ 30,030	$ 43,227
Deposit to Replacement Reserve	$ 0	$ 24,809	$ 0	$ 24,809
Soft Costs	$ 48,720	$ 33,750	$ 40,970	$ 33,750
TOTAL DEVELOPMENT COSTS	$ 500,000	$ 527,616	$ 500,000	$ 534,056

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 21-XX

RESOLUTION APPROVING PROGRAM GUIDE WAIVER
RENTAL REHABILITATION DEFERRED LOAN (RRDL)

WHEREAS, the Board has previously authorized a commitment for Ridgeway Court III development (D0140, M20313) herein named by its Resolution 20-009

WHEREAS, the development continues to be in compliance with Minn. Stat. ch. 462A and Agency rules, regulations, and policies; and

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to modify the commitment for the indicated development, subject to the revisions noted:

1. To waive Section 5.02 of the RRDL Program Guide to allow a deposit to the reserves of $24,809 from the RRDL proceeds; and

2. The RRDL loan amount established in MHFA Resolution 20-009 was increased from $500,000 to $527,616 pursuant to Board Delegation No. 005; and

3. The RRDL loan closing deadline establish in MHFA Resolution 20-009 was extended on year from November 26, 2021 to November 26, 2022 pursuant to Board Delegation No. 009; and

4. All other provisions of MHFA Resolution 20-009 remain in effect.

Adopted this 16th day of December 2021

____
CHAIRMAN

Agenda Item: 6.B
Resolution

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 21-XX

RESOLUTION APPROVING PROGRAM GUIDE WAIVER
RENTAL REHABILITATION DEFERRED LOAN (RRDL)

WHEREAS, the Board has previously authorized a commitment for Ridgeway Court IV development (D0141, M20318) herein named by its Resolution 20-009

WHEREAS, the development continues to be in compliance with Minn. Stat. ch. 462A and Agency rules, regulations, and policies; and

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to modify the commitment for the indicated development, subject to the revisions noted:

1. To waive Section 5.02 of the RRDL Program Guide to allow a deposit to the reserves of $24,809 from the RRDL proceeds; and

2. The RRDL loan amount established in MHFA Resolution 20-009 was increased from $500,000 to $534,056 pursuant to Board Delegation No. 005; and

3. The RRDL loan closing deadline establish in MHFA Resolution 20-009 was extended on year from November 26, 2021 to November 26, 2022 pursuant to Board Delegation No. 009; and

4. All other provisions of MHFA Resolution 20-009 remain in effect.

Adopted this 16th day of December 2021

____
CHAIRMAN

MINNESOTA HOUSING

Board Agenda Item: 6.C
Date: 12/16/2021

Item: Approval, Waiver to the 2021 Housing Tax Credit Qualified Allocation Plan and Program Procedural Manual
- The Crest Apartments II, D7876, Brooklyn Center, MN

Staff Contact(s):
William Price, 651.296.9440, william.price@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff recommends approval of a waiver to Article 8.0 of the 2021 Housing Tax Credit (HTC) Qualified Allocation Plan (QAP) and Chapter 7 (B) of the 2021 HTC Program Procedural Manual's requirement that an owner submit a full application for a Preliminary Determination Letter for 4% HTC prior to bond issuance.

Fiscal Impact:
None

Meeting Agency Priorities:
- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):
- Background

The Crest Apartments II is an existing 122-unit HTC development in Brooklyn Center. It was built in 1972. The current HTC Declaration of Land Use Restrictive Covenants Agreement (LURA) was placed on the development in 2012. In July 2021, the City of Brooklyn Center obtained an allocation of $19 million of tax-exempt bonding authority from the state's volume cap from Minnesota Management and Budget (MMB) under the Preservation Project designation under Minnesota Statute Section 474A.02 in order to complete necessary rehabilitation, preserve existing federal subsidies, and construct an additional 48 units.

As part of Crest Apartments II's financing package, it is anticipated that the development will obtain 4% HTCs from Minnesota Housing, which would be sold to an investor to provide necessary equity to fund the redevelopment. The allocation of bonding authority from MMB will be issued in an amount to meet the 50% test for HTCs, allowing the project to obtain the 4% HTCs if the development satisfies the requirement of Minnesota Housing's QAP. Under Article 8.0 of Minnesota Housing's 2021 QAP and Chapter 7 (B) of the 2021 HTC Program Procedural Manual, owners are required to submit an application for a preliminary determination of eligibility of credits to reserve an award of 4% HTCs prior to issuance of the tax-exempt bonds.

The owner and developer have identified a timing challenge and requested that Minnesota Housing allow submission of a full application for 4% HTC for this developer after bond issuance. Bond issuance is expected to occur by the end of December 2021 and the owner intends to submit a full application for 4% HTC in mid-2022. The requirement that owners submit a full application prior to bond issuance is a Minnesota Housing requirement, not a federal requirement, and is intended to allow the agency to review developments and determine preliminary eligibility before volume cap is utilized. In this circumstance, the owner and developer are navigating a potential challenge regarding an IRS rule that requires a period of at least 10 years between the date a building will be placed in service and the date the building was last placed in service. In order to maintain a clear record that the development complies with that rule, the property will transition ownership in mid-2022 and apply for HTC after that point. The bonding authority for this development, however, must be issued by the end of 2021 or it is returned to MMB.

The Minnesota Housing board is authorized to waive any conditions of the 2021 HTC Program Procedural Manual that are not mandated by Section 42 on a case-by-case basis for good cause shown. Based on the circumstances of this particular project, staff believes that the project has adequately demonstrated good cause given the unique and complicated timing issues facing this development. The waiver will allow the owner to submit an application for 4% HTC, subject to review and at Minnesota Housing's sole discretion, after bond issuance. The owner/developer has been informed that this waiver will not constitute an approval of HTC and that the later-submitted HTC application will be subject to the agency's standard review process.

MINNESOTA HOUSING

Board Agenda Item: 6.D
Date: 12/16/2021

Item: Revision to Board Policy 12, Rotation of Independent Auditor

Staff Contact(s):
Kevin Carpenter, 651.97.4009, kevin.carpenter@state.mn.us
Debbi Larson, 651.296.8083, debbi.larson@state.mn.us

Request Type:

☒ Approval
 ☒ Motion
 ☐ Resolution

☐ No Action Needed
 ☐ Discussion
 ☐ Information

Summary of Request:
As discussed at the Finance and Audit Committee meeting on November 18, 2021, staff recommends a revision to existing Board Policy 12 – Rotation of Independent Auditor, as reflected in the attached updated version.

Fiscal Impact:
None.

Meeting Agency Priorities:
- ☐ Improve the Housing System
- ☐ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):
- Policy 12 – Rotation of Independent Auditor

Policy 12 – Rotation of Independent Auditor

Adopted: 11/21/2013

The Board believes that periodic rotation of the Agency's independent financial audit firm is a prudent business practice because it would promote essential attributes needed in its external auditor: independence, objectivity and professional skepticism in its evaluation of the Agency's financial statements and internal controls. The Board also believes that the advantages of periodic rotation outweigh the potential short-term increase in audit costs and loss of institutional knowledge. Therefore, it is the policy of the Board that every four fiscal years, or sooner if circumstances warrant, the Board will request proposals from qualified firms to audit the agency's financial statements and provide additional services, as needed, to the Board. The incumbent auditor will be permitted to submit a proposal, in competition with other qualified firms, to the subsequent request for proposals. However, it is the Board's express policy preference to periodically rotate the Agency's independent financial audit firm when deemed appropriate.~~a firm may not serve as the agency's auditor for more than eight consecutive years.~~

MINNESOTA HOUSING

Board Agenda Item: 7.A
Date: 11/22/2021

Item: Approval, Revisions to the Rehabilitation Loan Program Procedural Manual

Staff Contact(s):
Tonya Taylor, 651.296.8844, Tonya.taylor@state.mn.us
Noemi Arocho, 651.296.7994, Noemi.arocho@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☐ Resolution	☐ Information

Summary of Request:
Staff requests board approval of the revised Rehabilitation Loan Program Procedural Manual.

Fiscal Impact:
None. The Rehabilitation Loan Program is funded by Pool 3 Agency resources and state appropriations that do not earn interest for the Agency.

Meeting Agency Priorities: select all that apply

- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):

- Background
- Rehabilitation Loan Program Procedural Manual

Background
The Rehabilitation Loan Program (RLP) was created in 1971 by the Minnesota Legislature to complement loan programs available in the private sector, in order to fill the financial gap that exists between low-income homeowners who are able to secure traditional financing for home improvements and those unable to do so.

RLP is a zero percent interest rate, deferred mortgage loan that is forgiven in full at the end of the loan term (15 years for homes taxed as real property, 10 years for manufactured homes taxed as personal property), as long as the borrower continues to own and occupy the residence. Funds must be used for improvements that directly affect the safety, habitability, livability or energy efficiency of the home.

Changes to the Rehabilitation Loan Program Procedural Manual
Staff recommends revisions to the Procedural Manual to implement new policies and clarify existing language. The recommended policies and clarifications were informed by changes to Minnesota statute that were passed by the Minnesota Legislature in July 2021. The Minnesota Legislature added language to statute allowing manufactured home replacement as an eligible use of funds under RLP. The recommended changes streamline procedures and improves implementation of RLP. Below is a summary of the substantive revisions to the Procedural Manual.

Manufactured Home Replacement
Staff recommends adding language to allow Manufactured Home replacement as an eligible use.

Chapter 2: Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting
Staff consulted with the Agency's legal team to review Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting policies. Staff recommends adopting the revised language.

Documentation and Data Requirements
Staff recommends revising this language to align with state requirements.

Effective Date
Following board approval, the proposed Procedural Manual will go into effect January 1, 2022.

MINNESOTA HOUSING

Rehabilitation Loan Program Procedural Manual

~~September~~ January 1, ~~2021~~2022

Table of Contents

Introduction

Mission Statement

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.

Background

Minnesota Housing Finance Agency ("Minnesota Housing") was created in 1971 by the Minnesota Legislature.

Minnesota Housing created the Rehabilitation Loan Program (the "Program") to compliment loan programs available in the private sector to fill the financial gap that exists between low-income homeowners able to secure home improvement financing in the private sector and those homeowners unable to do so.

Procedural Manual

This Procedural Manual sets forth for the Lenders the terms and conditions under which Minnesota Housing will purchase mortgage loans originated under the Program.

Rehabilitation Loan Program

Deferred, zero percent interest rate Program loans are available to low-income Minnesota homeowners through participating Lenders. Loans must be for improvements that directly affect the safety,[1] habitability[2] livability, or energy efficiency[3] of the home~~.~~ or replacement of Manufactured Homes. Existing residential housing is inspected using Minnesota Housing's Single Family Rehabilitation Standard ("Rehabilitation Standard" see ~~Appendix B).~~Forms Guide and Glossary). Deficiencies cited in any property inspection under the Rehabilitation Standard must be prioritized and cured as funding allows. Homeowners requiring assistance of an emergency nature will be referred to the Minnesota Housing Emergency and Accessibility Loan Program.
~~(in footer as hyperlink)~~

[1] Rehabilitation improvements which address conditions in the home that can cause danger or risk of injury.
[2] Rehabilitation improvements which address basic needs and are of average/median grade or quality.
[3] Rehabilitation improvements which reduce overall energy use while providing the same or a higher level of performance, comfort and convenience.

Chapter 1 – Partner Responsibilities/Warranties

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Rehabilitation Loan Program Participation Agreement (the "Participation Agreement") executed between the Lender and Minnesota Housing. Minnesota Housing reserves the right to:

- Change the Program interest rate at any time under its sole discretion;
- Alter or waive any of the requirements;
- Impose other and additional requirements; and
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated.

Minnesota Housing is under no obligation to purchase any loan or retain ownership of a loan that does not comply fully with this Procedural Manual. Minnesota Housing may grant waivers, alterations or revisions at its sole discretion.

1.02 Compliance with Privacy Act Statutes

The Minnesota Government Data Practices Act:

- Requires the Lender to supply Borrowers with the Tennessen Warning and the Privacy Act Notice ~~(Appendix B)~~(Forms Guide and Glossary) when requesting private data;[4] and
- Governs when the disclosure of the Borrower's Social Security Number is required.

The Minnesota Revenue Recapture Act of 1980 (Minnesota Statutes Sections 270A.01 to 270A.12) allows the disclosure of the Borrower's Social Security Number or Minnesota Tax Identification Number to the Minnesota Department of Revenue. This could result in the application of funds held by the State, including but not limited to tax refunds to the payment of any delinquent indebtedness of the Borrower to Minnesota Housing.

1.03 Unauthorized Compensation

The Lender may receive fees approved in this Procedural Manual. However, the Lender shall not receive or demand from builder, remodeler, contractor, supplier, or Borrower:

- Kickbacks;
- Commissions;
- Rebates; or
- Other compensation.

In order to reduce the total rehabilitation cost associated with an eligible property, the Lender may receive discounts from third parties involved in the project improvements. In these cases,

[4] Only the Borrower's name, address and amount of assistance received are public data and may be released to the public. All other data are private and may be released only to those authorized access by law.

the Lender must document in the Borrower file that the discounts received are considered typical for the market area and do not constitute a kickback, commission, rebate or compensation for products or services rendered. Any discounts that exceed what is typical must be documented as a charitable contribution by the representative of the seller, builder, remodeler, contractor or supplier providing the discount.

1.04 Minnesota Housing Due Diligence Audit Guidelines and Requirements

The Lender is required to keep on file a complete copy of documents for each loan originated for purchase by Minnesota Housing. Minnesota Housing will perform a quality control audit of loan files purchased from the Lender and will notify the Lender if a loan is selected for audit. Upon request, the Lender must submit a complete loan package with all documentation that was used to originate and close the loan. Loan audits will include, but are not limited to, a minimum of 10% of all loans purchased.

Audited loans are reviewed for:

- Minnesota Housing Program/policy compliance;
- Compliance with federal and state consumer lending regulations;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends and/or other indicators that may have an impact on the financial viability of the Program in part or in whole.

1.05 Termination of the Lender’s Participation

Minnesota Housing may terminate the participation of any Lender under this Procedural Manual at any time and may preclude the Lender’s future eligibility for reasons including, but not limited to, nonconformance with:

- This Procedural Manual;
- The Participation Agreement;
- The Federal Fair Housing Law and/or the Equal Credit Opportunity Act;
- Any federal or state laws or acts that protect the Borrower’s rights with regard to obtaining financing for home improvements; and
- Other applicable state and federal laws, rules, and regulations.

Upon termination of the Lender’s Participation Agreement, Minnesota Housing will continue to purchase eligible loans for which a Commitment has already been issued, until the Commitment expiration date.

Minnesota Housing may, at its option, impose remedies other than termination of the Participation Agreement for the Lender’s nonperformance.

The Lender may request reinstatement into Minnesota Housing programs. The decision whether or not to reinstate the Lender shall be at Minnesota Housing’s sole discretion.

1.06 Representations and Warranties

The Lender agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders including, but not limited to, the following (and any applicable rules, regulations, or laws thereunder):

- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- The Equal Credit Opportunity Act;
- The Fair Credit Reporting Act;
- Federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968);
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);
- Data Privacy - Minnesota Statutes Chapter 13;
- Minnesota S.A.F.E. Mortgage Licensing Act of 2010 – Minnesota Statutes Chapters 58 and 58A;
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101;
- Fair and Accurate Credit Transactions Act;
- Truth in Lending Act;
- Home Mortgage Disclosure Act;
- Anti-Predatory Lending Act;
- USA Patriot Act;
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;
- Internal Revenue Code of 1986, Section 6050H; and
- Real Estate Settlement Procedures Act of 1974.

In addition to the above warranties and representations, the Lender also warrants and represents that:

- The Lender will comply with the ~~,~~Minnesota Housing Lead Based Paint Guidebook, found on the Minnesota Housing website;
- The Lender is the sole owner and holder of the Program loan with the right to assign it to Minnesota Housing;
- The Lender has assigned the loan free and clear of all encumbrances;
- The Lender has complied and will continue to comply with all terms and conditions in the Participation Agreement and this Procedural Manual for each loan processed unless prior written approval is obtained from Minnesota Housing;
- The Lender is a legally constituted public or governmental agency, political subdivision, nonprofit entity, a housing and redevelopment authority, or other organization which has as a primary purpose, the provision or development of affordable housing to low-income persons or households in Minnesota;

- The Lender maintains capital and trained personnel adequate to render the services required as a part of the Lender's participation in the Program;
- The Lender follows all state and federal consumer lending laws, rules and regulations;
- The Lender has neither received nor solicited any fee or remuneration not approved by this Procedural Manual;
- After reasonable inspection, the Lender has no knowledge that any improvement funded by the loan is in violation of applicable zoning ordinances, building ordinances, laws or regulations; and

The Lender also agrees that the person who confirms on the Minnesota Housing Loan Commitment System on behalf of the Lender is fully conversant with Minnesota Housing Program requirements, and has the authority to legally bind the Lender; and the Lender has complied with all terms, conditions and requirements of the Participation Agreement and this Procedural Manual unless those terms, conditions and requirements have been specifically waived in writing by Minnesota Housing.

1.07 Lender Compensation

The Lender is compensated for each loan purchased by Minnesota Housing at a rate of $2,500 plus 5% of the loan amount per loan.

1.08 Selection of Contractors

The Lender may not choose the contractor. Borrowers are responsible for the selection of any contractor who will be involved in completing rehabilitation improvements on the property.

Chapter 2 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting

2.01 Fraud

Fraud is any intentionally deceptive action made for personal gain or to damage another.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the ~~ways~~communication channels described in ~~Section~~section 2.05.

2.02 Misuse of Funds

A loan ~~and Participation Agreement are~~or grant agreement is a legal ~~contracts~~contract. The borrower ~~and the Lender must~~ or grantee promises to use the funds to engage in ~~eligible uses~~certain activities or procure certain goods~~,~~ or services ~~when~~while Minnesota Housing ~~provides~~agrees to provide funds to the borrower or ~~the Lender~~grantee to pay for those ~~eligible uses~~activities, goods~~,~~ or services. Regardless of the Minnesota Housing program or funding source, the borrower or ~~the Lender~~grantee must use Minnesota Housing funds as agreed and the borrower or ~~the Lender~~grantee must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a borrower or ~~the Lender~~grantee; or (2) A borrower or ~~the Lender~~grantee cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the loan or ~~Participation Agreement~~grant agreement.

Any borrower or ~~Lender~~grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the ~~ways~~communication channels described in ~~Section~~section 2.05.

2.03 Conflict of Interest

A conflict of interest, actual~~,~~ or potential~~, or perceived~~, occurs when a person has an actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. ~~A potential or perceived~~A conflict of interest exists even if no unethical, improper or illegal act results from it.

An individual conflict of interest is any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a friend, relative, acquaintance or business or organization with which they are involved.

Organizational conflicts of interest occur when:

- A contracting party is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties~~;~~
- A contracting party's objectivity in carrying out their responsibilities might be otherwise impaired due to competing duties or loyalties~~; and/or~~
- A contracting party has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors~~.~~

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party's responsibilities to mitigate the conflict~~;~~
- Allowing the contracting party to create firewalls that mitigate the conflict~~;~~
- Asking the contracting party to submit an organizational conflict of interest mitigation plan~~; or~~
- Terminating the contracting party's participation

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual~~, perceived,~~ or potential conflicts of interest through one of the ~~ways~~communication channels described in ~~Section~~section 2.05.

A contracting party should review its contract agreement and Request for Proposals (RFP) material, if applicable, for further requirements.

2.04 Suspension

By entering into any agreement with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the agreement) ~~represents that it~~ has not been suspended from doing business with Minnesota Housing. ~~-~~Please refer to Minnesota Housing's website for a list of ~~suspended individuals and organizations.~~suspended individuals and organizations.

2.05 Disclosure and Reporting

Minnesota Housing promotes a "speak-up, see something, say something" culture whereby internal staff~~, external~~ must immediately report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation through one of the communication channels listed below. External business partners (e.g., ~~the Lenders~~grantees, borrowers) and the general public are strongly encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation~~. You may report wrongdoing or other concerns by contacting:~~ using these same communication channels.

- Minnesota Housing's Chief Risk Officer
- Any member of Minnesota Housing's Servant Leadership Team
- EthicsPoint, the Minnesota Housing hotline reporting service vendor

2.06 Assistance to Employees and Affiliated Parties

A contracting party that receives funding from Minnesota Housing to make specified loans, grants, or other awards to recipients may make these specified loans, grants, or other awards to their directors, officers, agents, consultants, employees and/or their families, elected or appointed officials of the State of Minnesota as well as to Minnesota Housing employees and/or their families ("Affiliated Assistance") provided:

- The recipient meets all eligibility criteria for the program.
- The assistance does not result in a violation of the contracting party's internal conflict of interest policy, if applicable.
- The assistance does not result in a conflict of interest as outlined in section ______.
- The assistance is awarded utilizing the same costs, terms and conditions as similarly situated unaffiliated recipients, and the recipient receives no special consideration or access compared to similarly situated unaffiliated recipients.
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and their immediate family members. Family members include a spouse, domestic partner, parent, sibling, child, in-law or other relative living in the recipient's home
-

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to awarding the Affiliated Assistance, that the Affiliated Assistance meets each of the provisions outlined above. This documentation must be included in the Affiliated Assistance file and must be made available upon request to Minnesota Housing. Affiliated Assistance that does not meet each of these provisions will be considered a violation of Minnesota Housing conflict of interest standards which must be reported through one of the communication channels outlined in section 2.03.

Chapter 3 - Borrower Eligibility Requirements

3.01 Borrower
One individual or multiple individuals are eligible to be a Borrower(s) only if such individual or individuals meet the requirements of this Procedural Manual.

3.02 Borrower Age
Borrower must be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction.

3.03 Co-Signers
Co-signers are not permitted on Program loans.

3.04 Ownership Interest
For residences taxed as real property, the Borrower(s) must individually, or in the aggregate, possess at least a one-third ownership interest in the residence to be improved. For a Manufactured Home taxed as personal property, the Borrower(s) ownership interest requirement is 100%.

The Borrower(s) and Accommodation Parties, individually or in the aggregate, must have 100% ownership interest in the residence to be improved.

Borrowers under this Program must have clear title to the subject property as outlined in Section 5.06 of this Procedural Manual.

Eligible forms of ownership interest include the following:

- A fee simple estate;
- A community land trust;
- Vendee interest in a recorded contract-for-deed [5];
- A Manufactured Home taxed as real property; or
- A Manufactured Home taxed as personal property and located in a Manufactured Home park.
- A Manufactured Home with an approved tribal residential lease located on tribal lands.

Title may be held as follows:

- Individually;
- Joint Tenants;
- Tenants in common; or

[5] Borrower must get prior approval from contract for deed vendor. Vendor will be required to sign the Mortgage as an Accommodation Party.

- A recorded life estate, excluding remaindermen[6]

Ineligible forms of ownership interest include but are not limited to the following:
- Shares in a Cooperative Corporation;
- Ownership by any form of trust; and
- Ownership subject to a reverse mortgage.

3.05 Occupancy Requirements
Borrower must have owned and occupied the property as his/her Principal Residence for at least 6 months prior to applying for the Program loan. Further, the Borrower must maintain ownership and title to the property and reside in the property as his/her Principal Residence during the term of the loan.

3.06 Rehabilitation Loan Program Application
To be considered for Program funds, Borrowers must apply for the Program through an approved Lender using the Minnesota Housing Borrower Application.

3.07 Prior Minnesota Housing Assistance
A Borrower who has previously received financing through the Program for rehabilitation or manufactured home replacement is ineligible to receive further financing through this Program for rehabilitation for five years ~~(~~from the loan closing date~~) thereafter~~ with exceptions for emergency situations as determined in the sole discretion of Minnesota Housing. A Borrower who has previously received financing through the Program for only rehabilitation is eligible to receive financing through this Program for Manufactured Home replacement.

3.08 Rehabilitation Loan Program Eligibility Income
Gross annual household income includes but is not limited to the gross annual projected household income of all residents age 18 and over that reside in the household, from whatever source derived and before taxes or withholdings – less deductible medical expenses allowed. Incidental income from after school employment of persons under 18 years of age does not need to be included. (See Income Eligibility Calculation Worksheet). The maximum gross household income may not exceed the amounts listed on Minnesota Housing's website.

Gross annual projected household income includes:
- Salary, commissions, bonuses, tips, and earnings from full-time, part-time and seasonal employment, including sick pay;
- Interest, dividends, and gains on sale of securities;
- Annuities, pensions, and royalties;
- Veterans Administration compensation/benefits;
- Public assistance;

[6] Remainderman will be required to sign the Mortgage as an Accommodation Party.

- Social Security benefits;
- Unemployment Insurance;
- Net rental income;
- Net income received from business activities (see Income Eligibility Calculation Worksheet);
- Alimony and child support;
- Estate or trust income;
- Ongoing educational grants; and
- Contract-for-deed income after deducting principal, interest, taxes and insurance paid on outstanding debt against the property. (Deductions may not exceed the contract-for-deed income.)

If a Borrower's gross annual income is zero or a negative amount, the Borrower is ineligible for financing.

Documentation of the Borrower's gross annual household income must be dated no more than 3 months before the loan commitment is obtained via the Loan Commitment System

3.09 Minnesota Housing Maximum Asset Limit

The total assets of all residents in the household may not exceed $25,000 after deducting any outstanding indebtedness pertaining to the assets. Assets include, but are not limited to, the following:

- Cash on hand or in checking or savings accounts;
- Securities or United States Savings Bonds;
- Market value of all interests in real estate, exclusive of the structure to be improved or the replacement Manufactured Home and a parcel of real property of not more than two contiguous platted lots or 160 continuous acres on which such structure is located;
- Cash value of life insurance policies;
- Recreational vehicles such as golf carts, snowmobiles, boats, or motorcycles;
- All land in which any resident of the household holds title and is selling on a contract-for-deed. Value in this case is defined as the outstanding principal balance expected to exist on the contract one year from the date of application;
- Life estate value on a property other than the subject property; and
- All other property, excluding household furnishings, clothing, and one automobile, and real estate, equipment, supplies, and inventory used in a business.

Documentation of assets of the Borrower(s) and all residents in the household must be dated no more than 3 months before the loan commitment is obtained via the Loan Commitment System.

3.10 Credit Requirements

- Credit reports are not required by Minnesota Housing.
- Borrower must be current on all property tax payments at the time of application
- Borrowers must be current on all mortgage loan payments at the time of application. Examples of documentation for verifying payments include, but are not limited to:
  - A verification of current mortgage payment status from the loan servicer; and
  - A mortgage statement citing the loan servicer's name and address, the most recent payment made, the date and amount of the next payment due and any past due amounts, and/or any unpaid fees.

3.11 Separated Spouses

When the Lender establishes that a spouse permanently resides outside of the household, that separated spouse may be excluded from signing the Rehabilitation loan application and note but must sign the mortgage.

Examples of separated spouse documentation include:

- Legal separation documentation;
- Proof of initiated divorce proceedings; and
- Verification of separate Principal Residence and absence of joint accounts.

~~3.12 Loans to the Lender's Employees and Affiliated Parties~~

~~The Lender may make Minnesota Housing loans to their directors, officers, agents, consultants, employees and/or their families, elected or appointed officials of the State of Minnesota as well as to Minnesota Housing employees and/or their families who are not in a position to participate in a decision making process or gain inside information with regard to the loan and do not result in a conflict of interest as outlined in Section 2.03. The Borrower must meet all eligibility criteria for the Program.~~

Chapter 4 - Property Eligibility Requirements

4.01 Eligible Properties

Properties eligible for a loan must be located in the State of Minnesota and include any of the following property types:

- A single family detached home;
- A duplex;[7]
- An eligible one-unit dwelling in an eligible planned unit development (PUD);
- A condominium unit;[8]
- A townhome;[9] and
- Certain Manufactured Homes that meet the requirements outlined in Section 3.04.

4.02 Ineligible Properties

Properties ineligible for a loan include but are not limited to:

- Properties containing three or more units;
- Properties intended for use as an investment property (except the rental of a second unit in a duplex);
- Properties intended for recreational use; and
- Properties primarily used for business (more than 50% of the floor space is used for business).

4.03 Property Inspections

The Lender must conduct inspections of the property as follows:

- The first inspection must be made using the Rehabilitation Standards ~~(Appendix B)~~(Forms Guide and Glossary) in order to determine the property's deficiencies without regard to lead-based paint hazards. The results of the inspection are used to prepare the initial scope of work.
- If required, lead-based paint inspections or tests must be completed according to the Lead-Based Paint Guide for Applicable Single Family Programs. If required per the Lead-Based Paint Guide for Applicable Single Family Programs, lead-based paint hazard reduction must be added to the scope of work.
- Additional inspections must demonstrate that construction has been completed according to the scope of work and that the quality of the work is satisfactory. The Lender may conduct additional inspections as work is completed.

Minnesota Housing reserves the right to inspect properties during any stage of the rehabilitation process with reasonable notice.

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[7] The Borrower must occupy one unit of a duplex property. Any improvements that benefit only the rental unit of a duplex must have prior written approval by Minnesota Housing.

[8] If the property is a condominium, only the portion of the real estate owned by the Borrower is eligible for financing under this Program. The common areas owned by the association are not eligible.

[9] If the property is a townhome, only the portion of the real estate owned by the Borrower is eligible for financing under this Program. The common areas owned by the association are not eligible.

4.04 Local Ordinances and Plans

Property improvements must conform to all applicable zoning ordinances and all appropriate permits must be obtained.

Chapter 5 – Loan/Rehabilitation Eligibility

5.01 Loan Eligibility
Minnesota Housing purchases closed loans from the Lenders if the loan satisfies all the requirements of this Procedural Manual.

5.02 Interest Rate/Amortization Requirements
Generally, loans under this Procedural Manual are interest-free, deferred loans which are forgiven at the end of the loan term. However, if the Borrower sells, transfers title or ceases to occupy the property as his/her Principal Residence during the loan term, the loan will become due and payable.

5.03 Program Loan Amounts
- The minimum loan amount is $1,000.
- The maximum loan amount may not exceed $37,500 and may include the costs of required radon tests, pre-rehabilitation energy audits, post-rehabilitation blower-door tests, ~~and~~ lead-based paint inspections and remediation, and replacement of a Manufactured Home.
- Recording fees, mortgage registration tax and title search costs may be collected from the Borrower or may be included in the loan amount as long as Program loan amount maximum is not exceeded. No other fees may be charged to the borrower.

5.04 Mortgage Term
Prior to the expiration of the applicable periods indicated below, all loans are due on sale, transfer of title, or if the property ceases to be the Borrower's Principal Residence.

- The loan term for properties taxed as real estate is 15 years.
- The loan term for Manufactured Homes:
  - Taxed as real property is 15 years;
  - Taxed as personal property and located within a Manufactured Home park is 10 years; or
  - Taxed as personal property with an approved tribal residential lease located on tribal lands is 10 years.

5.05 Security for the Loan
- All loans for properties taxed as real estate must be secured with a mortgage which must be recorded within 30 days after the date of closing. The Lender may not wait to record the mortgage until after the rehabilitation is completed to accommodate changes in the loan amount.
- All interests in the Note and Mortgage must be assigned to Minnesota Housing when the loan is purchased and funded by Minnesota Housing.

- Loans for a Manufactured Home taxed as personal property must be secured with a lien against the title to the Manufactured Home.
- In the event there are changes in the loan amount, the Lender must follow the Change Order requirements in Section 5.08.

5.06 Title Requirements

The Lender is required to verify:

- The legal description of the subject property;
- The Borrower's ownership interest, by conducting a title investigation:
  - Through documented contact with the County Recorder's Office/Registrar of Titles; or
  - Through documentation of ownership provided by tribal government; or
  - Via an Owners and Encumbrances report; and
- Existing liens, if any, on the property.

5.07 Rehabilitation Requirements

- Each rehabilitation improvement must be a permanent general improvement made in compliance with all applicable state, county and municipal or tribal government health, housing, building, fire prevention and housing maintenance codes or other public standards.
- Prior to rehabilitation, properties must be inspected to the Rehabilitation Standard ~~(Appendix B)~~(Forms Guide and Glossary) to determine any deficiencies.
- Rehabilitation must comply with the Lead-Based Paint Guide for Applicable Single Family Programs.
- All rehabilitation improvements must be prioritized in a written scope of work and must correlate to the deficiencies identified during the Rehabilitation Standard ~~(Appendix B)~~(Forms Guide and Glossary) inspection and includes all applicable lead-based paint hazard reduction activities.
- At least two bids from Minnesota-licensed building contractors must be solicited based on the written scope of work. Bids from Tribal government approved contractors are allowed if the property is located on tribal lands. In general, the lowest, reasonable bid should be selected. If the lowest, reasonable bid is not selected, the Lender and Borrower must document written justification for not selecting the lowest, reasonable bid.
- All rehabilitation improvements must be completed by contractors licensed in the State of Minnesota or tribal government approved contactors except a homeowner need not be licensed when homeowner labor is involved.
- A written construction contract must be executed between the contractor and the Borrower.
- All rehabilitation improvements must comply with the Green Communities Scope of Work Addendum.

- Rehabilitation improvements to Manufactured Homes must comply with Minnesota State Building Code (Minnesota Rules Part 1350.3800) which addresses the distinction between a Construction Alteration and a Repair and the different licensing requirements attendant to each improvement.

After completion of rehabilitation, eligible properties must:

- Be free of deficiencies which will cause further damage to the home. The Rehabilitation Standard must be used as the basis for all rehabilitation work undertaken.
- Have completed rehabilitation work that is in compliance with all applicable state, county and municipal health, housing, building, fire prevention and housing maintenance codes or other public standards.
- Meet the lead-based paint requirements in the ~~.~~Lead-Based Paint Guide for Applicable Single Family Programs.

5.08 Change Orders

After the loan has closed:

- Changes in the scope of work are not allowed unless unanticipated deficiencies are found during the rehabilitation which will cause further damage to the home if not addressed.
- Any changes to the scope of work, including the reason for the change, must be documented in the file.
- In the event that a change order occurs, post-closing modification requirements must be met as referenced in Section 7.02 of this Procedural Manual.

5.09 Sworn Construction Statement and Lien Waivers

General contractors are required to execute a Sworn Construction Statement.

The Lenders must obtain lien waivers for all work performed and all materials supplied by:

- The general contractor(s);
- Subcontractors; and
- Materials supplier(s).

Upon completion of rehabilitation, the Lender and the Borrower must execute the Completion Certificate provided by Minnesota Housing. Rehabilitation must be completed within 9 months of loan closing unless Minnesota Housing issues a written extension.

5.10 Homeowner Labor

- Homeowner labor is permitted provided the Lender is satisfied the Borrower is capable of and willing to perform the labor.
- Borrower must execute a Work Program Agreement.

- The materials list must include evidence of the actual cost of the materials required to complete the necessary improvements.
- The Lender must perform at least one interim inspection in addition to the initial and final inspections otherwise required.
- The Borrower may not pay or be reimbursed for the cost of labor performed by the Borrower or other household residents.
- Disbursements of funds by the Borrower and to the Borrower are not permitted under this Program.

5.11 Eligible Rehabilitation Improvements

Eligible rehabilitation improvements must be directly related to the habitability or safety of the home and be of average or medium grade or quality. Eligible improvements include, but are not limited to:

- Accessibility-related improvements;
- Energy efficiency-related improvements;
- Lead hazard mitigation;
- Radon mitigation;
- Smoke detectors/alarms;
- CO alarms;
- Structural improvements;
- Electrical improvements;
- Plumbing improvements;
- Drainage, grading, and gutters;
- Roofing, soffits, and fascia,
- Siding;
- Windows and doors;
- Insulation;
- Furnaces and other heating systems;
- Wall and ceiling repair;
- Flooring; and
- Other improvements as approved in writing by Minnesota Housing.

The following rehabilitation improvements are eligible only under the circumstances described below. Prior written approval is not necessary to complete the improvements below if the circumstances described are met. The Lender must document in the file that the improvement was necessary due to one or more of the circumstances below.

- <u>Replacement of kitchen cabinets or bathroom vanities</u> when an accessibility need exists; lead hazards cannot be addressed any other way; the repair of existing cabinets or vanities is not feasible or cost reasonable; or, existing kitchen cabinets do not allow for adequate food storage.

- Replacement of kitchen counter tops when an accessibility need exists, the existing countertop presents a clear health or safety hazard; or there is not adequate space for food preparation.
- Replacement of decorative trim when lead hazard reduction is required.
- Work on existing garages when a medical or accessibility need exists; lead hazard reduction is required; or, required by the local building code and evidence of the code violation is presented.
- Reconstruction of existing garages when a medical or accessibility need exists.
- Demolition of outbuildings when lead hazard reduction is required; or required by the local building code and evidence of the code violation is presented.
- Construction or reconstruction of sidewalks and driveways when existing conditions present a clear and imminent safety hazard. Repair is limited to the portion of sidewalks and driveways on the Borrower's property.
- New central air conditioner installation when a medical or accessibility need exists.
- Walk-in bathtubs when a medical or accessibility need exists.

Home Additions are reviewed on a case by case basis and are rarely approved by Minnesota Housing. The following list details circumstances under which Minnesota Housing might approve a Home Addition:

- An accessibility-related Home Addition when a medical/physical need exists.
- A bathroom Home Addition when the home has an inadequate bathroom.
- A kitchen Home Addition when the home's existing kitchen facilities are a health or safety hazard.
- A bedroom Home Addition when over-crowding exists. Over-crowding exists when there is an average of more than one person per room (excluding the bathroom and kitchen).

The Lender must demonstrate that alternative remedies have been evaluated and are not feasible. However, any approval must be in writing and is at Minnesota Housing's sole discretion.

5.~~12~~13 Ineligible Rehabilitation Improvements

Ineligible rehabilitation improvements include but are not limited to:

- Construction of garages (except when a medical or an accessibility need exists);
- Installation of new decorative trim (except when replacement of existing decorative trim is necessary for lead hazard reduction);
- Hard-wired microwave ovens;
- "Luxury" improvements, which are improvements of a type exceeding that customarily used in the locality for properties of the same type as the property to be rehabilitated (swimming pool, outdoor hot tub, etc.);
- Public improvement assessments;

- Improvements that do not become a part of the real property, including but not limited to, appliances such as freestanding refrigerators and stoves; and
- Any improvements already in place.
- Loan proceeds may not be used to pay off any existing debt.

5.12 Manufactured Home Replacement

Eligible uses for Manufactured Home replacement include but are not limited to:

- Purchase of a replacement Manufactured Home that is free of deficiencies that would affect the safety, habitability, and livability of a home;
- The following are eligible uses only if a replacement Manufactured Home is purchased:
    - Demolition and removal of the existing Manufactured Home;
    - Transportation and installation of a replacement Manufactured Home; and
    - Utility connections of replacement Manufactured Home.

The replacement Manufactured Home must be in compliance with all applicable federal, state, county and municipal manufactured home safety and construction codes, regulations, or other public standards including the Minnesota Manufactured Home Building Code.

Manufactured Home replacement must be completed, including installation and utility connections of the replacement manufactured home within 6 months of loan closing unless the Lender provides a good cause for the extension as determined by Minnesota Housing and Minnesota Housing issues a written extension.

5.13 Non-Complying Loans

Minnesota Housing shall have the right to take one or more of the following actions in the event the Lender submits a loan that does not, as determined by Minnesota Housing, comply with the requirements of this Procedural Manual:

- Adjust the purchase price of the non-complying loan;
- If not already purchased, refuse to purchase the loan;
- If already purchased, require the Lender to repurchase the loan for the outstanding balance and any fees paid to the Lender;
- Terminate, suspend, or otherwise limit the Participation Agreement with Minnesota Housing; or
- Preclude the Lender from future participation in Minnesota Housing programs.

5.14 Repurchase of Loans

Minnesota Housing at its option, may tender any loan to the Lender for repurchase if:

- Any representation or warranty of the Lender or the Borrower with respect to the loan is determined by Minnesota Housing to be materially incorrect; or
- The loan is not in compliance with any term or condition set forth in the Participation Agreement and this Procedural Manual.

Upon written notice of repurchase by Minnesota Housing, the Lender has ten business days to submit payment to Minnesota Housing for the unpaid principal balance, fees paid to the Lender in the sale of the loan and reasonable expenses incurred by Minnesota Housing, including attorney's fees. Failure to comply with this requirement may result in the termination, suspension, further legal action or otherwise limit the Lender's Participation Agreement with Minnesota Housing.

Chapter 6 – Commitment/Disbursement

Minnesota Housing funds a variety of programs and initiatives and reserves the right to establish limits for any program or initiative during any business day such as:

- A maximum dollar amount the Lender may commit; or
- A maximum number of individual Commitments the Lender may commit.

The Lender commits funds on a first-come, first-served basis.

Individual Commitments are to be considered as "forward Commitments" by the Lender. It is expected that the loan will be closed within the commitment period and delivered to Minnesota Housing for purchase.

6.01 Loan Commitments

In order to obtain a Commitment to reserve funds under the Program the Lender must:

- Reserve the loan using the Loan Commitment System.
- Commitments are valid for 120 days. All Commitments will be automatically cancelled at day 121. Extensions are approved at Minnesota Housing's sole discretion.
- Loans must meet eligibility requirements and gain a status of Purchase Approval via the Loan Commitment System no later than the last day a Commitment is valid.

6.02 Modifying a Commitment

- Changes to a loan must be updated in the Loan Commitment System and will be evaluated for compliance with Program eligibility requirements.
- Any qualifying Commitment change will not alter the Commitment period originally established.
- Changes to Commitments involving the Borrower and/or the property address are not permitted.
- An increase in the loan amount will be allowed only if funds are available to accommodate the change.

6.03 Canceling a Commitment

Minnesota Housing requires the Lender to cancel any Commitment of funds that will not be used for the specified loan.

6.04 Minnesota Housing Disbursement of Funds

Minnesota Housing will purchase loans that, by the daily cutoff time, have been Purchase Approved in the Loan Commitment System. One hundred percent of the loan amount plus the Lender fee will be disbursed two business days after the loan has been purchased by Minnesota Housing.

The Lender Certificate with details of each purchase transaction will be available to the Lender via the Loan Commitment System after the loan has been purchased by Minnesota Housing.

6.05 Loan Purchase Corrections

If it is determined that an adjustment to the purchase price of any purchased loan is necessary, the Lender will be invoiced for any funds to be returned or Minnesota Housing will disburse the necessary funds to the Lender.

Chapter 7 – Documentation Requirements

7.01 Loan Processing and Closing

All loans submitted to Minnesota Housing must meet the following requirements:

- Loans must be closed and required pre-close review documents must be reviewed for compliance by Minnesota Housing prior to completing the True and Certify process in the Loan Commitment System.
- Minnesota Housing forms must be used and may not be altered in any way.
- All loan documents must be complete, accurate and reviewed by the Lender at the various and appropriate stages of the loan.
- All mortgage assignments must run directly from the Lender to Minnesota Housing and use the Minnesota Uniform Conveyancing Blank.
- All mortgages and assignments must be recorded by the appropriate offices:
  - Abstract Property – County Recorder's Office
  - Torrens Property – Registrar of Titles
  - Tribal government and Bureau of Indian Affairs
  - Manufactured Homes taxed as personal property and located within a Manufactured Home park require a completed Public Safety Form 2017 (PS2017) recorded with the Department of Public Safety. The form should indicate Minnesota Housing Finance Agency as the secured party and list Minnesota Housing's address. 400 Wabasha Street North, Suite 400, St. Paul MN 55102.

7.02 Loan Modification and Loan Corrections

The Lender must contact Minnesota Housing for documentation and process instructions, including utilizing the Rehabilitation Loan Program Modification of Note and Mortgage Agreement, and/or Rehabilitation Loan Program Modification of Note and Manufactured Home Security Agreement, in the event of loan amount corrections and/or modifications that occur after loan closing and/or after the loan has been recorded.

7.03 Minnesota Housing Documentation/Delivery Requirements

Minnesota Housing provides the Loan Transmittal Form detailing specific documentation/delivery requirements.

The Lender must fully execute and deliver documents within designated timeframes as outlined on the Loan Transmittal form. In addition, the Lender must specifically warrant that all applicable documentation has been obtained and reviewed to determine compliance with all Minnesota Housing requirements.

Documentation not delivered to Minnesota Housing/servicer within the specified time frames, may result, at Minnesota Housing's discretion, in the Lender being required to repurchase the loan, or any such remedy as identified in this Procedural Manual or allowed by law. Minnesota Housing may also, at its discretion, extend the timeframes.

7.04 Documentation and Data Requirements

The Lenders participating in the Program are required to track all applicants and maintain sufficient documentation to show compliance with federal Fair Housing laws. The following data must be gathered for each transaction:

- Application date;
- Applicant's full name;
- ~~Applicant's race/ethnicity;~~
- Single head of household information; and
- Reason the loan commitment is canceled, if applicable.

To better understand and address the disparity gap, the agency is required to collect, on a voluntary basis, demographic information regarding race, color, national origin, and sex of applicants for agency programs intended to benefit homeowners and homebuyers.

All forms listed in the Loan File Requirements Checklist should be fully executed, as applicable, and maintained in the loan file by the Lender. Forms may be found on the Forms Guide and Glossary.

7.05 Records Retention

The Lender must retain all loan documents in compliance with federal regulatory guidelines. The Lender is required to make loan records available for inspection by Minnesota Housing for a period of six (6) years after the loan is sold to Minnesota Housing. Those records that may be requested by Minnesota Housing include, but are not limited to:

- Credit related documents (e.g. paystubs, tax returns, income statements, documentation of assets, etc.);
- Compliance related documents (e.g. Borrower application, Loan Estimate (or its alternative form), Closing Disclosure (or its alternative form), Affiliated Business Arrangement documents, evidence of compliance with the Bank Secrecy/Anti-Money Laundering Act, etc.);
- Property related documents (e.g. scope of work, bids, lien waivers, change orders, fees, building permits and completion certificates, evidence of compliance with rehabilitation and lead-based paint standards, etc.); and
- Collateral documents (e.g. title work or O&E reports, evidence of property ownership, a copy of the fully executed Note, a copy of the fully executed and recorded Mortgage, a copy of the fully executed recorded Assignment of Mortgage to Minnesota Housing, etc.).

Chapter 8 – Servicing

8.01 Servicing

Upon purchase of the loan by Minnesota Housing, the Lender must deliver documents outlined in the Loan Transmittal form to the Minnesota Housing servicer. Until the loan is purchased, the Lender assumes all loan servicing responsibilities.

8.02 Delivery of Loans to Servicer

The Lender must forward the loan package according to the requirements outlined in the Loan Transmittal form to the servicer by mail within five calendar days of Minnesota Housing's purchase of the loan. Upon receipt of the recorded mortgage, the Lender must ensure the original document is delivered to the servicer within ten business days.

Appendix A: Definitions

TERM	DEFINITION
Accommodation Parties	An owner of the property who is not a Borrower on the note, such as a non-purchasing spouse.
Borrower	The recipient of loan funds from the Program.
Commitment	A Commitment of funds from Minnesota Housing with specific terms and conditions applied to a specific Borrower and a specific property.
Construction Alteration (Manufactured Housing)	Pursuant to the Minnesota State Building Code (Minnesota Rules Part 1350.0100) "… replacement, addition, modification or removal of any equipment or installation which may affect the construction, plumbing, heating, cooling, fuel-burning system, electrical system or the functioning of any of these in manufactured homes subject to the code".
Home Addition	The addition of livable space which is achieved through an actual expansion of square footage to the home, or by finishing off unfinished or partially unfinished square footage in an existing area of the home.
Lender	A lender under contract to participate in the Program.
Manufactured Home	~~A dwelling structure not permanently affixed to a real property and used as a permanent living accommodation.~~Manufactured Home as defined in Minn. Stat. 327.31, subd. 6.
Minnesota Housing	Refers to Minnesota Housing Finance Agency.
Participation Agreement	The contract executed between the Lenders and Minnesota Housing that defines the terms in which the Lender agrees to participate in the Program.
Principal Residence	A property used as the primary domicile of the owner-occupant Borrower and his/her household.
Program	Refers to the Rehabilitation Loan Program.
Rehabilitation Standard	Refers to the Single Family Rehabilitation Standard form.
Repair (Manufactured Housing)	Any improvement other than those outlined in the definition of Construction Alteration including, (according to Minnesota State Building Code (Minnesota Rules Part 1350.3800)) " repairs with approved components or parts; conversion of listed fuel-burning appliances in accordance with the terms

	of their listing, adjustment and maintenance of equipment or replacement of equipment in kind."

~~Appendix B: Forms List~~

~~All forms listed in Appendix B should be fully executed, as applicable, and maintained in the loan file by the Lender. Forms may be found on the Forms Guide and Glossary. See the Loan File Requirements Checklist for additional documentation requirements.~~

- ~~☐ Authorization to Disclose Health Information (as needed)~~
- ~~☐ Bid Summary Form~~
- ~~☐ Borrower Application~~
- ~~☐ Change Order (as needed)~~
- ~~☐ Completion Certificate~~
- ~~☐ Commitment Request Form (as needed)~~
- ~~☐ Assignment of Mortgage - Department of Commerce - MN Uniform Conveyancing Blanks (as needed)~~
- ~~☐ Income Eligibility Calculation Worksheet~~
- ~~☐ Final Affidavit of Receipt of Lead Reports (as needed)~~
- ~~☐ Green Communities Scope of Work Addendum~~
- ~~☐ Homeowner Agreement~~
- ~~☐ Loan Transmittal~~
- ~~☐ Loan Submission Worksheet~~
- ~~☐ Mortgage~~
- ~~☐ Note~~
- ~~☐ Note and Manufactured Home Security Agreement (as needed)~~
- ~~☐ Proceed to Work Notice~~
- ~~☐ Privacy Act Notice~~
- ~~☐ Rehabilitation Loan Program Loan Transmittal~~
- ~~☐ Modification of Note and Mortgage Agreement (as needed)~~
- ~~☐ Modification of Note and Manufactured Home Security Agreement (as needed)~~
- ~~☐ Single Family Rehabilitation Standard~~
- ~~☐ Tennessen Warning~~
- ~~☐ Work Program Agreement (as needed)~~

Board Agenda Item: 7.B
Date: 12/16/2021

Item: Selection and Commitment, Low and Moderate Income Rental Loan (LMIR)
- Sienna Green I, D5220, Roseville, MN

Staff Contact(s):
Caryn Polito, 651.297.3123, caryn.polito@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Agency staff completed the underwriting and technical review of the proposed development and recommends the development for selection and adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of up to $2,800,000.

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:
LMIR loans are funded from Housing Investment Fund Pool 2 resources, and as such, Minnesota Housing will earn interest income without incurring financing expenses. The Agency will earn additional fee income from originating the loan for this project.

Meeting Agency Priorities:
- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☒ Strengthen Communities

Attachments:
- Development Summary
- Resolution
- Resolution Attachment: Term Letter

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information				
Development Name	Sienna Green I		**D#** 5220	**M#** 18998
Address	2225 Snelling Ave North			
City	Roseville	**County**	Ramsey	
Date of Selection	12/16/2021	**Region**	Metro	

A. Project Description and Population Served

- The development involves the refinance of 120 units in five, three-story, walkup buildings. All units have one bedroom.
- The development provides workforce housing for single and family households. Six units serve High Priority Homeless (HPH) households.
- The development serves households with incomes at or below 60% Multifamily Tax Subsidy Projects (MTSP). Fifteen units are market rate.
- Thirty units benefit from project-based Section 8. Eleven units benefit from Section 811 rental assistance. Six units benefit from Housing Support income supplement. These 47 units are deeply affordable to households at 30% MTSP.
- Sienna Green was built in 1964 and underwent a substantial rehabilitation in 2010. The tax credit syndicator, US Bank, is still part of the ownership structure.
- The refinance will replace the existing LMIR with HUD Risk-share with a 5.75% interest rate with a new LMIR with HUD Risk-share with a 3.25% interest rate.
- Minnesota Housing also has a Tax Credit Assistance Program (TCAP) loan on the property, which will be resubordinated. The original principal balance of the TCAP loan is $3,676,500 and there is approximately $500,000 of accrued interest. A partial payment of approximately $160,000 will be made on accrued interest at closing from the loan proceeds and the interest rate reduced from 1.15% to 0%.
- Other existing debt includes Ramsey County, City of Roseville, and Family Housing Fund loans. All existing loans will be resubordinated and extended to be coterminous with the new first mortgage.
- The new LMIR will follow the HUD Risk-share Streamlined Refinance process, since the amount of principal is not increasing. An appraisal will not be required.
- The Agency is the tax credit administrator for the 9% housing tax credits and is also the Section 811 contract administrator.

B. Mortgagor Information

Ownership Entity:	Sienna Green I Limited Partnership
Sponsor:	Aeon
General Partner(s)/ Principal(s):	Sienna Green I General Partner, LLC
Guarantor(s):	Aeon

C. Development Team Capacity Review

The property is owned by Aeon. The sponsor has the experience and capacity to complete the project.

The property manager, Aeon Management LLC, was established in 2008 and currently has 48 developments, with a total of 4,891 units. The property manager has the capacity to continue managing this development.

People Incorporated is the service provider for the development. They have extensive experience providing supportive housing services to the population being served.

There is no rehabilitation as part of the refinance; therefore, a general contractor and architect are not required.

None of the development team partners, comprised of the developer, asset management and service provider, represent a Black, Indigenous, and People of Color-owned/Women-owned Business Enterprise (BIPOCBE/WBE).

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction/ End Loan
Permanent / Amortizing	LMIR	Pool 2	$2,800,000	3.25%	0.125%	30 years	n/a	End

- The LMIR loan will have HUD Risk-share.

Permanent Mortgage Loan to Cost: 100% **Permanent Mortgage Loan to Value:** 21%

E. Significant Changes Since Date of Selection
Not applicable

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	$ 2,703,335	$ 22,528
Construction Costs	$ 0	$ 0
Environmental Abatement	$ 0	$ 0
Professional Fees	$ 27,915	$ 232
Developer Fee	$ 0	$ 0
Financing Costs	$ 68,750	$ 573
Total Mortgageable Costs	$ 2,800,000	$ 23,333
Reserves	$ 0	$ 0
Total Development Cost	$ 2,800,000	$ 23,333

B. Permanent Capital Sources

Description	Amount	Per Unit
LMIR Permanent Mortgage	$ 2,800,000	$ 23,333
Total Permanent Financing	$ 2,800,000	$ 23,333

C. Financing Structure

- The permanent LMIR first mortgage will have a 3.25% interest rate with a 30-year term and amortization. The loan will be insured under the HUD Risk-share program and the borrower will pay 0.125% mortgage insurance premium on the permanent loan.
- After the paydown of approximately $160,000, the remaining principal balance on the Minnesota Housing TCAP loan will be resubordinated and extended to be coterminous with the new first mortgage. Going forward, the interest rate on the TCAP loan will be reduced to 0%.

D. Cost Reasonableness

- Refinances are not subject to the predictive cost model.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (% of MTSP or AMI)	Rental Assistance Source
1 BR	58	$ 943	See below	See below	n/a
1 BR	15	$ 1,100	See below	See below	n/a
1 BR	30	$ 965	See below	See below	Section 8
1 BR	6	$ 775	See below	See below	Housing Support
1 BR	11	$ 876	See below	See below	Section 811

*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits.

The restrictions under the Minnesota Housing programs will be as follows:

- LMIR Restrictions (new)
  - 48 units with rents and incomes at or below 60% MTSP
  - Up to 30 units unrestricted
  - 42 units with incomes at or below 100% of the greater of area or statewide median income

B. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rate, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio in year 15 of 4.29.
- The project was underwritten at 3% vacancy, with 2% income and 3% expense inflators.

Agenda Item: 7.B
Resolution

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 21-XX

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development:	Sienna Green I
Sponsors:	Aeon
Guarantors:	Aeon
Location of Development:	Roseville, MN
Number of Units:	120
Amount of LMIR Mortgage: (not to exceed)	$2,800,000

WHEREAS, Agency staff has determined that such applicant is an eligible sponsor under the Agency's rules; that such permanent mortgage loan is not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the refinance and rehabilitation of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, Agency staff has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide construction and permanent mortgage loans to the sponsor or an affiliate thereof from the Housing Investment Fund (Pool 2 under the LMIR Program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed $2,800,000; and

2. The interest rate on the permanent LMIR loan shall be 3.25% per annum (subject to change, as set forth in the attached Agency term letter dated December 1, 2021), plus 0.125% per annum HUD Risk-share Mortgage Insurance Premium, with monthly payments based on a 30-year amortization; and

3. The term of the permanent LMIR loan shall be 30 years; and

4. The loan closing shall occur on or before June 30, 2022; and

5. The mortgagor shall comply with the terms set forth in the attached Agency term letter; and

6. The Commissioner is authorized to approve non-material modifications to those terms; and

7. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and

8. Aeon shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

9. The sponsor, the mortgagor and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans, to the security therefore, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 16th day of December 2021

____
CHAIRMAN

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400 Wabasha Street North, Suite 400 St. Paul, MN 55102
P: 800.657.3769
F: 651.296.8139 | TTY: 651.297.2361
www.mnhousing.gov

December 1, 2021

Stacy McMahon
Sienna Green I Limited Partnership
Aeon
901 N. 3rd Street, Suite 150
Minneapolis, MN 55401

RE: Term Letter
Sienna Green I, Roseville
MHFA Development #5220, Project #18998

Dear Ms. McMahon:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower:	A single asset entity: Sienna Green I Limited Partnership
[General Partner(s)] [Managing Member(s)]:	Aeon; Sienna Green I General Partner LLC
Development Description/Purpose:	Refinance of 120-unit affordable housing development located in Roseville, Minnesota

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk Share Streamlined Refinance)
Loan Amount	$2,800,000
Interest Rate	*3.25%
Mortgage Insurance Premium (%)	0.125% *(first year premium is paid in advance)*
Term	30 years

Amortization/Repayment	30 years
Prepayment Provision	No prepayment first 10 years from date of the Note.
Nonrecourse or Recourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	End Loan
Lien Priority	First

*****Subject to change. Loan closing must occur by March 31, 2022 for the quoted interest rate to be valid; interest rate may be subject to adjustment after this date at Minnesota Housing's sole discretion.

Origination Fee: LMIR HUD Risk Share Loan: <u>$56,000</u> (payable at loan closing)

Inspection Fee: Not applicable

Interest Rate Lock Extension Fee: 25 basis points per 30-day extension

Guaranty/Guarantor(s): Operations Guaranty to be provided by: Aeon

Operating Deficit Escrow Reserve Account: Not applicable

Operating Cost Reserve Account: Not applicable

Replacement Reserve Account: A replacement reserve will be required in the amount of $450/unit/annum. The monthly replacement reserve will be $4,500. The replacement reserve will be held by Minnesota Housing.

Escrows: Real estate tax escrow and property insurance escrow to be established at the time of loan closing (outside of the development budget) and held by Minnesota Housing.

Collateral/Security: Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

HAP or other Subsidy Agreement:	Not applicable
Rent and Income Requirements:	LMIR Restrictions • 48 units with rents and incomes at or below 60% MTSP • Up to 30 units unrestricted • 42 units with incomes at or below 100% of the greater of area or statewide median income Commitment to affordability in effect while the loan is outstanding.
Other Occupancy Requirements:	Not applicable
Other Requirements:	Not applicable
Closing Costs:	Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.
Expiration Date:	The terms will expire six months from the date of this letter.
Additional Terms:	Not applicable
Other Conditions:	• Deferred loans with Ramsey County HRA, the City of Roseville and Family Housing Fund must be re-subordinated and extended to be coterminous with the new first mortgage. • The Minnesota Housing TCAP loan will be re-subordinated and extended to be coterminous with the new first mortgage. A partial payment will be made at closing to pay down $160,000 of TCAP accrued interest. The interest rate on the TCAP loan will be reduced to 0% going forward.
Board Approval:	Commitment of all loans under the LMIR program is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loan.
Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree

that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Caryn.Polito@state.mn.us on or before December 17, 2021.

If you have any questions related to this letter, please contact Caryn Polito 651.297.3123 or by e-mail at caryn.polito@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

SIENNA GREEN I LIMITED PARTNERSHIP

By: ____

Its: ____

Date Accepted: ______________________

MINNESOTA HOUSING

Board Agenda Item: 7.C
Date: 12/16/2021

Item: Selection and Commitment, Low and Moderate Income Rental Loan (LMIR)
- Sienna Green II, D6361, Roseville, MN

Staff Contact(s):
Caryn Polito, 651.297.3123, caryn.polito@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Agency staff completed the underwriting and technical review of the proposed development and recommends the development for selection and adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of up to $2,245,000.

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:
LMIR loans are funded from Housing Investment Fund Pool 2 resources, and as such, Minnesota Housing will earn interest income without incurring financing expenses. The Agency will earn additional fee income from originating the loan for this project.

Meeting Agency Priorities:
- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☒ Strengthen Communities

Attachments:
- Development Summary
- Resolution
- Resolution Attachment: Term Letter

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information				
Development Name	Sienna Green II		**D#** 6361	**M#** 18999
Address	2275 Snelling Ave North			
City	Roseville	**County**	Ramsey	
Date of Selection	12/16/2021	**Region**	Metro	

A. Project Description and Population Served

- The development involves the refinance of 50 units in one, four-story elevator building. Units range from one to three bedrooms.
- The development provides workforce housing for single and family households. Four units serve High Priority Homeless (HPH) households.
- The development serves households with incomes at or below 60% Multifamily Tax Subsidy Projects (MTSP).
- Four units benefit from Housing Support income supplement. These four units are deeply affordable to households at 30% MTSP.
- Sienna Green II was built in 2011. The tax credit syndicator, US Bank, is still part of the ownership structure.
- The refinance will replace the existing LMIR with HUD Risk-share with a 5.00% interest rate with a new LMIR with HUD Risk-share with a 3.25% interest rate.
- The existing LMIR has approximately one year left until the prepayment lockout period ends (based on the anticipated closing date). A prepayment penalty of 1% is included in the budget.
- The new LMIR will follow the HUD Risk-share Streamlined Refinance process, since the amount of principal is not increasing. An appraisal will not be required.
- There are no Agency deferred loans on the property.
- Other existing debt includes a City of Roseville loan consisting of Local Housing Incentives Account (LHIA) and Livable Communities Demonstration Account (LCDA) funds.
- The Agency is the tax credit administrator for the 9% housing tax credits.
-

B. Mortgagor Information

Ownership Entity:	Sienna Green II Limited Partnership
Sponsor:	Aeon
General Partner(s)/	Snelling Ave LLC and Aeon

Principal(s):	
Guarantor(s):	Aeon

C. Development Team Capacity Review

The property is owned by Aeon. The sponsor has the experience and capacity to complete the project.

The property manager, Aeon Management LLC, was established in 2008 and currently has 48 developments, with a total of 4,891 units. The property manager has the capacity to continue managing this development.

People Incorporated is the service provider for the development. They have extensive experience providing supportive housing services to the population being served.

There is no rehabilitation as part of the refinance; therefore, a general contractor and architect are not required.

None of the development team partners, comprised of the developer, asset management and service provider, represent a Black, Indigenous, and People of Color-owned/Women-owned Business Enterprise (BIPOCBE/WBE).

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction/ End Loan
Permanent / Amortizing	LMIR	Pool 2	$2,245,000	3.25%	0.125%	30 years	n/a	End

- The LMIR loan will have HUD Risk Share.

Permanent Mortgage Loan to Cost: 100% **Permanent Mortgage Loan to Value:** 22%

E. Significant Changes Since Date of Selection

Not applicable

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	$ 2,167,445	$ 43,349
Construction Costs	$ 0	$ 0
Environmental Abatement	$ 0	$ 0
Professional Fees	$ 21,099	$ 422
Developer Fee	$ 0	$ 0
Financing Costs	$ 56,456	$ 1,129
Total Mortgageable Costs	$ 2,245,000	$ 44,900
Reserves	$ 0	$ 0
Total Development Cost	$ 2,245,000	$ 44,900

B. Permanent Capital Sources

Description	Amount	Per Unit
LMIR Permanent Mortgage	$ 2,245,000	$ 44,900
Total Permanent Financing	$ 2,245,000	$ 44,900

C. Financing Structure

- The permanent LMIR first mortgage will have a 3.25% interest rate with a 30-year term and amortization. The loan will be insured under the HUD Risk-share program and the borrower will pay 0.125% mortgage insurance premium on the permanent loan.

D. Cost Reasonableness

- Refinances are not subject to the predictive cost model.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (% of MTSP or AMI)	Rental Assistance Source
1 BR	4	$ 775	See below	See below	Housing Support
2 BR	30	$ 1,005	See below	See below	n/a
3 BR	16	$ 1,176	See below	See below	n/a

*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits.

The restrictions under the Minnesota Housing programs will be as follows:

- LMIR Restrictions (new)
  - 20 units with rents and incomes at or below 60% MTSP
  - Up to 12 units unrestricted
  - 18 units with incomes at or below 100% of the greater of area or statewide median income

B. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rate, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio in year 15 of 2.49.
- The project was underwritten at 3% vacancy, with 2% income and 3% expense inflators.

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 21-XX

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development:	Sienna Green II
Sponsors:	Aeon
Guarantors:	Aeon
Location of Development:	Roseville, MN
Number of Units:	50
Amount of LMIR Mortgage: (not to exceed)	$2,245,000

WHEREAS, Agency staff has determined that such applicant is an eligible sponsor under the Agency's rules; that such permanent mortgage loan is not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the refinance and rehabilitation of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, Agency staff has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide construction and permanent mortgage loans to the sponsor or an affiliate thereof from the Housing Investment Fund (Pool 2 under the LMIR Program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed $2,245,000; and

2. The interest rate on the permanent LMIR loan shall be 3.25% per annum (subject to change, as set forth in the attached Agency term letter dated December 1, 2021), plus 0.125% per annum HUD Risk-share Mortgage Insurance Premium, with monthly payments based on a 30-year amortization; and

3. The term of the permanent LMIR loan shall be 30 years; and

4. The loan closing shall occur on or before March 31, 2022; and

5. The mortgagor shall comply with the terms set forth in the attached Agency term letter; and

6. The Commissioner is authorized to approve non-material modifications to those terms; and

7. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and

8. Aeon shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

9. The sponsor, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans, to the security therefore, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 16th day of December 2021

____

CHAIRMAN

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400 Wabasha Street North, Suite 400 St. Paul, MN 55102
P: 800.657.3769
F: 651.296.8139 | **TTY:** 651.297.2361
www.mnhousing.gov

December 1, 2021

Stacy McMahon
Sienna Green II Limited Partnership
Aeon
901 N. 3rd Street, Suite 150
Minneapolis, MN 55401

RE: Term Letter
Sienna Green II, Roseville
MHFA Development #6361, Project #18999

Dear Ms. McMahon:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: Sienna Green II Limited Partnership

[General Partner(s)] [Managing Member(s)]: Aeon; Snelling Ave LLC

Development Description/Purpose: Refinance of 50-unit affordable housing development located in Roseville, Minnesota

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk Share Streamlined Refinance)
Loan Amount	$2,245,000
Interest Rate	*3.25%
Mortgage Insurance Premium (%)	0.125% *(first year premium is paid in advance)*
Term	30 years

Amortization/Repayment	30 years
Prepayment Provision	No prepayment first 10 years from date of the Note.
Nonrecourse or Recourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	End Loan
Lien Priority	First

***Subject to change. Loan closing must occur by March 31, 2022 for the quoted interest rate to be valid; interest rate may be subject to adjustment after this date at Minnesota Housing's sole discretion.**

Origination Fee: LMIR HUD Risk Share Loan: $44,900 (payable at loan closing)

Inspection Fee: Not applicable

Interest Rate Lock Extension Fee: 25 basis points per 30-day extension

Guaranty/Guarantor(s): Operations Guaranty to be provided by: Aeon

Operating Deficit Escrow Reserve Account: Not applicable

Operating Cost Reserve Account: Not applicable

Replacement Reserve Account: A replacement reserve will be required in the amount of $450/unit/annum. The monthly replacement reserve will be $1,875. The replacement reserve will be held by Minnesota Housing.

Escrows: Real estate tax escrow and property insurance escrow to be established at the time of loan closing (outside of the development budget) and held by Minnesota Housing.

Collateral/Security: Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

HAP or other Subsidy Agreement:	Not applicable
Rent and Income Requirements:	LMIR Restrictions • 20 units with rents and incomes at or below 60% MTSP • Up to 12 units unrestricted • 18 units with incomes at or below 100% of the greater of area or statewide median income Commitment to affordability in effect while the loan is outstanding.
Other Occupancy Requirements:	Not applicable
Other Requirements:	Not applicable
Closing Costs:	Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.
Expiration Date:	The terms will expire six months from the date of this letter.
Additional Terms:	Not applicable
Other Conditions:	• Deferred loans with the City of Roseville must be re-subordinated and extended to be coterminous with the new first mortgage. • The borrower will pay a prepayment penalty. The amount of the prepayment penalty will be determined once a closing date is scheduled.
Board Approval:	Commitment of all loans under the LMIR program is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loan.
Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include

additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Caryn.Polito@state.mn.us on or before December 17, 2021.

If you have any questions related to this letter, please contact Caryn Polito 651.297.3123 or by e-mail at caryn.polito@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

SIENNA GREEN II LIMITED PARTNERSHIP

By: ____

Its: ____

Date Accepted: ______________________

MINNESOTA HOUSING

Board Agenda Item: 7.D
Date: 12/16/2021

Item: Commitment, Low and Moderate Income Rental Loan (LMIR)
- Fieldcrest Townhomes, D2795, Moorhead, MN

Staff Contact(s):
Erin Coons, 651.296.9836, erin.coons@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
At the December 17, 2020 board meeting, the proposed development was selected for financing under the Low and Moderate Income Rental (LMIR) program under Resolution Number 20-066. Agency staff completed the underwriting and technical review of the proposed development and recommends adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to $2,618,000.

At that same board meeting on December 17, 2020, the development was selected for deferred funding up to $4,536,649 under the Preservation Affordable Rental Investment Fund Loan (PARIF) program under Resolution Number 20-064. There are no changes to the PARIF loan amount.

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:
LMIR loans are funded from Housing Investment Fund Pool 2 resources, and as such, Minnesota Housing will earn interest income on the loan without incurring financing expenses. The Agency will earn additional fee income from originating the loans for this project.

Meeting Agency Priorities:
- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

Attachments:
- Development Summary
- Resolution
- Resolution Attachment: Term Letter

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information				
Development Name	Fieldcrest Townhomes		**D#2795**	**M#18401**
Address	1824 34th Ave. S. and 3204 18th St. S.			
City	Moorhead	**County**	Clay	
Date of Selection	December 17, 2020	**Region**	Northwest	

A. Project Description and Population Served

- The development involves the acquisition and substantial rehabilitation of 40 units in a six-building, two-story townhome development with units ranging from two to three bedrooms.
- The development will provide general occupancy housing for single and family households.
- Four units will serve high priority homeless for youth with children and families with children.
- Eight units will serve households that include people with disabilities.
- The development will serve households with incomes that range from 30% to 80% Multifamily Tax Subsidy Project (MTSP).
- All 40 units will benefit from project-based Section 8 rental assistance.

B. Mortgagor Information

Ownership Entity:	Fieldcrest Townhomes LLC
Sponsor:	Housing & Redevelopment Authority of Clay County
General Partner(s)/ Principal(s):	Housing & Redevelopment Authority of Clay County
Guarantor(s):	Housing & Redevelopment Authority of Clay County

C. Development Team Capacity Review

The Housing & Redevelopment Authority of Clay County as the sponsor, developer, and management company has experience completing housing of similar size and scope. Minnesota Housing staff experience has rated this developer as acceptable. They currently provide management oversight for seven developments with a total of 176 units, which already includes Fieldcrest Townhomes.

The service provider for the high priority homeless units will be Lakes & Prairies Community Action Partnership, which has experience providing supportive housing services to the population being served.

EAPC Architects Engineers has the capacity to complete this project. KUE Contractors, Inc. has sufficient experience to complete the project on time and as proposed.

None of the development team partners, comprised of the developer, architect, general contractor, asset management, and service provider, represent a Black, Indigenous, and People of Color-owned/Women-owned Business Enterprise (BIPOCBE/WBE).

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction/ End Loan
Permanent/ Amortizing	LMIR	Pool 2	$2,618,000	4.25 %	.125 %	20 mos. (constr.) + 35 yrs	Amortizing	Construction to Permanent

- Minnesota Housing LMIR first mortgage will be a fully amortizing risk share loan. Risk share insurance will be endorsed after completion of rehabilitation and generally in conjunction with commencement of amortization.

Permanent Mortgage Loan to Cost: 32% **Permanent Mortgage Loan to Value:** 67%

E. Significant Changes Since Date of Selection

At the time of selection, prevailing wages were not included in the construction pricing. Subsequently, the developer incorporated prevailing wages, which created a funding gap of $286,452. To cover the gap, staff increased the first mortgage by changing the term/amortization from 30 years to 35 years. The interest rate was also adjusted upward to reflect a 35-year mortgage.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	$ 1,814,928	$ 45,373
Construction Costs	$ 5,328,263	$ 133,207
Environmental Abatement	$ 68,850	$ 1,721
Professional Fees	$ 362,629	$ 9,066
Developer Fee	$ 622,520	$ 15,563
Financing Costs	$ 149,533	$ 3,738
Total Mortgageable Costs	$ 8,346,723	$ 208,668
Reserves	$ 0	$ 0
Total Development Cost	**$ 8,346,723**	**$ 208,668**

B. Permanent Capital Sources

Description	Amount	Per Unit
Agency LMIR Permanent Mortgage	$ 2,618,000	$ 65,450
Agency Deferred Funding PARIF	$ 4,536,649	$ 113,416
Federal Home Loan Bank Affordable Housing Program	$ 1,000,000	$ 25,000
Rebates	$ 125,024	$ 3,126
Deferred Developer Fee	$ 67,050	$ 1,676
Total Permanent Financing	**$ 8,346,723**	**$ 208,668**

C. Financing Structure

- The development will not utilize housing tax credits as a funding source.
- The PARIF loan will have a 35-year term and 0% interest (but up to 1% interest allowed, if requested).

D. Cost Reasonableness

- The budgeted total development cost per unit of $208,668 is 8% above the predictive cost model estimate of $193,720 but within the 25% tolerance (and therefore does not require board approval)
- This project did not receive cost containment points in the RFP.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (% of MTSP or AMI)	Rental Assistance Source
2BR	4	$ 991-1,031	80% MTSP	30% MTSP	Section 8
3BR	4	$ 1,224	80% MTSP	30% MTSP	Section 8
2BR	8	$ 1,031	80% MTSP	50% MTSP	Section 8
3BR	8	$ 1,224	80% MTSP	50% MTSP	Section 8
2BR	8	$ 1,031	80% MTSP	80% MTSP	Section 8
3BR	8	$ 1,224	80% MTSP	80% MTSP	Section 8

*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits. Under the Section 8 rental assistance program, no tenant shall pay more than 30% of their income toward rent.

The rent and income restrictions under the LMIR loan will be as follows:

- Twenty-four units with rents and incomes at or below 60% MTSP
- Up to six units unrestricted
- Ten units with incomes at or below 100% of the greater of area or statewide median income

B. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rate, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- Under the PARIF deferred loan, the project will be rent and income restricted to 80% MTSP.
- The project-based Section 8 rental assistance will help ensure the residents pay no more than 30% of their income toward rent.
- The renewed 20-year rental assistance contract will be effective January 1, 2022.
- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio in year 15 of 1.05.
- The project was underwritten at 5% vacancy, with 1.5% income and 3% expense inflators.

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 21-XX

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide construction and permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development:	Fieldcrest Townhomes
Sponsors:	Housing & Redevelopment Authority of Clay County
Guarantors:	Housing & Redevelopment Authority of Clay County
Location of Development:	Moorhead
Number of Units:	40
Amount of LMIR Mortgage: (not to exceed)	$2,618,000

WHEREAS, Agency staff has determined that such applicant is an eligible sponsor under the Agency's rules; that such permanent mortgage loan is not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the acquisition and rehabilitation of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, Agency staff has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a permanent mortgage loan to the sponsor or an affiliate thereof from the Housing Investment Fund (Pool 2 under the LMIR Program) for the indicated development, upon the following terms and conditions:

1. The term of this commitment shall expire on June 30, 2022; and

2. The amount of the LMIR amortizing loan shall not exceed $2,618,000; and

3. The interest rate on the permanent LMIR loan shall be 4.25% per annum (subject to change, as set forth in the attached Agency term letter dated November 24, 2021), plus 0.125% per annum HUD Risk-share Mortgage Insurance Premium, with monthly payments based on a 35-year amortization and the interest during the construction period shall be interest-only at 4.25% per annum; and

4. The term of the permanent LMIR loan shall be 35 years and the construction period shall not exceed 20 months; and

5. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The Commissioner is authorized to approve non-material modifications to those terms; and

6. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and

7. The sponsor shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.11 debt service coverage ratio (assuming stabilized expenses) for three successive months; and

8. The sponsor shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

9. The sponsor, the general contractor, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 16th day of December 2021

____

CHAIRMAN

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MINNESOTA HOUSING

400 Wabasha Street North, Suite 400 St. Paul, MN 55102
P: 800.657.3769
F: 651.296.8139 | TTY: 651.297.2361
www.mnhousing.gov

November 24, 2021

Dara Lee
HRA of Clay County
116 Center Avenue E, PO Box 99
Dilworth, MN 56529

RE: Term Letter
Fieldcrest Townhomes, Moorhead D2795 M18401

Dear Dara Lee:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: Fieldcrest Townhomes LLC

General Partner: Housing & Redevelopment Authority of Clay County

Development Description/Purpose: Acquisition and rehabilitation of a 40-unit affordable housing development located in Moorhead, Minnesota

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk Share)	PARIF
Loan Amount	$2,618,000	$4,536,649
Interest Rate	*4.25%	0%
Mortgage Insurance Premium (%)	.125% *(first year premium is paid in advance)*	Not Applicable
Term	20 mos. (constr.) + 35 yrs	20 mos. (constr.) + 35 yrs
Amortization/Repayment	35 years	Deferred lump sum payment due in 35 years.
Prepayment Provision	No prepayment first 10 years from date of the Note.	None
Nonrecourse or Recourse	Nonrecourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	Construction/Permanent Loan	Construction/Permanent Loan
Lien Priority	First	Second

Origination Fee:	LMIR HUD Risk Share Loan: $52,360
Inspection Fee:	$11,850 (payable at the earlier of loan commitment or loan closing)
Guaranty/Guarantor(s):	Completion, repayment, and operations Guaranty to be provided by: Housing & Redevelopment Authority of Clay County
Operating Deficit Escrow Reserve Account:	Waived
Replacement Reserve Account:	A replacement reserve will be required in the amount of $450/unit/annum. The monthly replacement reserve will be $1500. The replacement reserve will be held by Minnesota Housing.
Escrows:	Real estate tax escrow and property insurance escrow to be established at the time of loan closing (outside of the development budget) and held by Minnesota Housing.
Collateral/Security:	Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.
HAP or other Subsidy Agreement:	Commitment to 35 years of affordability from the date of loan closing under the Section 8 Program for 35 units.
Rent and Income Requirements:	Agency First Mortgages under the LMIR program • 24 units with rents and incomes at or below 60% MTSP • Up to 6 units unrestricted • 10 units with incomes at or below 100% of the greater of area or statewide median income Commitment to affordability in effect while the loan is outstanding. PARIF • 40 units with incomes not exceeding 80% MTSP and rents at 80% MTSP. Commitment to 35 affordability from the date of loan closing.
Other Occupancy Requirements:	4 High Priority Homeless units that are set aside and rented to Youth with Families and Families with Children.

November 24th, 2022
Page 3

Other Requirements:	The PARIF loan is subject to the terms in the attached Deferred Selection Criteria. The PARIF mortgagor will enter into an agreement with the Agency that complies with Minn. Stat. § 462A.21 and the rider to the appropriation providing funds to the program (Minnesota Laws 2019, First Special Session, Chapter 1, article 5, section 2, subdivision 11).
Closing Costs:	Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.
Expiration Date:	This term letter will expire on the earlier of six months from the date of this letter or loan closing/end loan commitment.
Additional Terms:	None
Other Conditions:	None
Board Approval:	Commitment of all loans under the LMIR program is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loan.
Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Adam Himmel, adam.himmel@state.mn.us, on or before December 8th, 2021.

If you have any questions related to this letter, please contact Erin Coons at 651.296.9836 or by e-mail at Erin Coons (Erin.Coons@state.mn.us).

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

Fieldcrest Townhomes LLC

By: ______________________________
Dara Lee, Authorized Representative

Date Accepted: 11/29/2021

MINNESOTA HOUSING

Selection Criteria Related to 2020 RFP/2021 HTC Round 1

Project Name: Fieldcrest Townhomes
Project City: Moorhead
Property Number (D#): D2795
Project Number: M18401

Large Family Housing

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)	
☑ 75% two or more bedrooms	☑ 75% two or more bedrooms	Number of 2 Bedrooms	20
		Number of 3 Bedrooms	20

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion for the term of the loan/Declaration of Land Use Restrictive Covenants Agreement (LURA). The project will provide family housing that is not restricted to persons 55 years or older in which at least 75% of the affordable units contain two or more bedrooms. The Owner agrees to market to families with minor children. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Large Family Housing – Greater Minnesota

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)	
☑ Greater Minnesota three or more bedrooms	☑ Greater Minnesota three or more bedrooms	Number of 3 Bedrooms	20

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion for the term of the loan/Declaration of Land Use Restrictive Covenants Agreement (LURA). For Greater Minnesota proposals that selected family housing that is not restricted to persons 55 years or older in which at least one-third of the 75% of the affordable units contain three or more bedrooms. The Owner agrees to market to families with minor children. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Permanent Supportive Housing for High Priority Homeless

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)	
☑ 5% to 9.99%	☑ 5% to 9.99%	Families with Children	3
		Youth with Children	1

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion for the term of the loan/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the loan and HTC documents. The Owner agrees that if units set aside for High Priority Homeless are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and HTC documents. The Owner agrees units will be set aside and rented to High Priority Homeless who are a household prioritized for permanent supportive housing by Coordinated Entry System (HPH units) and targeted to the populations indicated. Permanent Supportive Housing for High Priority Homeless and People with Disabilities units must be distinct and cannot be layered. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Permanent Supportive Housing for High Priority Homeless – CoC Priority 1

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)	
☑ Continuum of Care Household Type Priority One	☑ Continuum of Care Household Type Priority One	Number of Units	4
		Priority Type	Families with Children

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units that the Owner agrees the project will target to Continuum of Care Household Type Priority One.

People with Disabilities

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
☑ 15% to 25%	☑ 15% to 25%	Number of Units 8

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion for the term of the loan/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the loan and HTC documents. The Owner agrees units will be set aside and rented to households with a disability with income limits at 30% MTSP. The Owner also agrees that if units set aside for People with Disabilities are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and HTC documents. Units cannot be restricted to persons of a particular age group and must be provided in an integrated setting for the term of the loan/LURA. The units must be set aside and rented to persons with the following disabilities in a manner consistent with Minnesota Statutes, Section 462A.222, subdivision 3, subparagraph (d)(3): a. A serious and persistent mental illness as defined in MN Statutes Section 245.462, Subdivision 20, Paragraph C; or b. A developmental disability as defined in United States Code, Title 42, Section 6001, Paragraph (5), as amended; or c. Assessed as drug dependent persons as defined in MN Statute Section 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in MN Statute Section 254A.02, Subdivision 2; or d. A brain injury as defined in MN Statute Section 256B.093, Subdivision 4, Paragraph (a); or e. Permanent physical disabilities that substantially limit major life activities, if at least 50 percent of the units in the Project are accessible as provided under Minnesota Rules, Chapter 1341. Permanent Supportive Housing for High Priority Homeless and People with Disabilities units must be distinct and cannot be layered. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA

Workforce Housing Communities

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
☑ Top Job Center or Net Five Year Job Growth Community	☑ Top Job Center or Net Five Year Job Growth Community	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

Location Efficiency – Access to Transit

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
☑ One quarter mile of a planned or existing public transportation fixed route stop	☑ One quarter mile of a planned or existing public transportation fixed route stop	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

Community Development Initiative

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
☑ Contributes to Community Development Initiative efforts	☑ Contributes to Community Development Initiative efforts	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

Rural/Tribal

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
☑ Rural/Tribal Designate Area	☑ Rural/Tribal Designate Area	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

Minority Owned/Women Owned Business

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
☑ A MBE/WBE	☑ A MBE/WBE	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the loan closing and/or 8609.

Preservation – Existing Federal Rental Assistance – Tier 1

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
☑ 100% of Units	☑ 100% of Units	Number of Units 40

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will require the Owner to continue renewals of existing project-based housing subsidy payment contracts(s) for as long as the assistance is available. Except for "good cause," the Owner must not evict existing subsidized residents and must continue to renew leases for those residents. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Other Contributions

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
☑ Other Contributions 10.1% and above	☑ Other Contributions 10.1% and above	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection based on submitted commitments indicated in the projects application. The commitments, or an equivalent commitment, must be maintained and will be monitored through the loan closing and/or 8609.

Intermediary Costs

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
☑ 0.0 to 15%	☑ 0.0 to 15%	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the loan closing and/or 8609.

Cost Containment

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
☑ Cost Containment	☐ Cost Containment	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through loan closing and/or 8609.

Smoke Free Building

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
☑ Smoke Free Buildings	☑ Smoke Free Buildings	

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include that the owner must maintain a smoke free policy and include a non-smoking clause in the lease for every household for the term of the loan/LURA. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Minnesota Overlay to Enterprise Green Communities Criteria

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
☑ Green Communities 2 times optional criteria	☑ Green Communities 2 times optional criteria	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase and architectural review.

MINNESOTA HOUSING

Board Agenda Item: 7.E
Date: 12/16/2021

Item: COVID-19 Emergency Rental Assistance Expansion for Housing Stabilization Services

Staff Contact(s):
Jessica Deegan, 651-297-3120, Jessica.deegan@state.mn.us
Diane Elias, 651-284,3176, diane.elias@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests Board approval for a set aside of up to $9 million in federal COVID-19 Emergency Rental Assistance to be used for Housing Stabilization Services.

Fiscal Impact:
The program will utilize a portion of the federal COVID-19 Emergency Rental Assistance program funds, which were allocated through the American Rescue Plan.

Meeting Agency Priorities:
- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s)
- Background
- Board Report (May 2021), Updated Approval Regarding COVID-19 Emergency Rental Assistance

Background

The federal government provided $25 billion in Emergency Rental Assistance for states, territories and localities, and $800 million for tribal communities through the Consolidated Appropriations Act of 2021 (ERA 1). A total of $375 million was allocated to the state, with local jurisdictions in the metro accepting direct funding and Minnesota Housing receiving the balance. The Board approved establishment of the COVID 19 Emergency Rental Assistance program, now known as RentHelpMN, at the January 2021 board meeting. The Board also approved Board Delegation No. 31, providing delegated authority to the Commissioner to administer the COVID-19 Emergency Rental Assistance program.

The American Rescue Plan Act was signed into federal law in March 2021 and included an additional $21.6 billion in Emergency Rental Assistance (ERA 2) for states and local units of government. The total amount of funding for Minnesota was $314 million. Local units of government in the metro area received $85.9 million of the state's ERA 2 allocation. ERA 2 did not include additional emergency rental assistance funds for Tribal Nations. The remaining $229 million was allocated to Minnesota Housing,

The Board authorized the inclusion of ERA 2 funds in the agency's COVID 19 Emergency Rental Assistance program as reflected in the attached May 2021 board report. The federal government provides that up to 10% of the ERA2 allocation may be used for housing stability services. The May 2021 board report noted that staff may seek future approval from the Board to expand the activities under the agency's COVID-19 Emergency Rental Assistance program to include housing stability services through a set aside of program funds.

Staff is recommending using up to $9 million of the $229 ERA 2 allocation to issue a Request for Proposal for Housing Stabilization Services, which is an expansion of the COVID-19 Emergency Rental Assistance Program. The federal government permits use of ERA 2 resources for the following Housing Stabilization Services:

- Eviction prevention and eviction diversion programs
- Mediation between landlords and tenants
- Housing counseling
- Fair housing counseling
- Housing navigators or *promotoras* that help households access ERA programs or find housing
- Case management related to housing stability
- Housing-relates services for survivors of domestic abuse or human trafficking
- Legal services or attorney's fees related to eviction proceedings and maintaining housing stability
- Specialized services for individuals with disabilities or seniors that support their ability to access or maintain housing.

Staff are currently conducting community engagement work, including a survey, to determine the most needed services. The information collected in the survey may result in a narrower list of activities than those noted here. Services are intended to assist households to prevent displacement or find housing. Funds will be used to support services and not direct assistance. Direct assistance is available through RentHelpMN and other sources, including the Family Homeless Prevention and Assistance Program. After the survey results are collected and analyzed, staff will issue a Request for Proposal process shortly thereafter with services expected to launch in late spring to early summer of 2022.

The Housing Stability Services funded through ERA 2 will be a part of the agency's overall COVID-19 Emergency Rental Assistance program and, therefore, subject to the provisions of Board Delegation 31: Delegation of Authority to the Commissioner Related to COVID 19 Emergency Rental Assistance.

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Board Agenda Item: 7.F
Date: 5/27/2021

Item: Updated Approval Regarding COVID-19 Emergency Rental Assistance

Staff Contact(s):
Rachel Robinson, 651.297.3125, rachel.robinson@state.mn.us
Jessica Deegan, 651.297.3120, jessica.deegan@state.mn.us
Michelle Doyal, 651.297.4060, michelle.doyal@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☐ Resolution	☐ Information

Summary of Request:
Staff seeks updated approval from the Board to utilize funds expected to be provided to the Agency through the American Rescue Plan for the COVID-19 Emergency Rental Assistance program. The COVID-19 Emergency Rental Assistance program, now operating as RentHelpMN, provides assistance for rent and utilities for households impacted by the pandemic. The additional funds will be subject to updated federal guidance and requirements.

Fiscal Impact:
The program is expected to be funded through at least an additional $229 million of federal funds allocated directly to the agency for emergency rental assistance.

Meeting Agency Priorities:
- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):
- Background
- January 2021 Board Report Regarding COVID-19 Emergency Rental Assistance

Background

The federal government provided $25 billion in Emergency Rental Assistance for states, territories and localities, and $800 million for tribal communities through the Consolidated Appropriations Act of 2021 (ERA 1). A total of $375 million was allocated to the state, with local jurisdictions in the metro accepting direct funding and Minnesota Housing receiving the balance. The Board approved establishment of the COVID 19 Emergency Rental Assistance program, now known as RentHelpMN at the January 2021 board meeting. The Board also approved Board Delegation No. 31, providing delegated authority to the Commissioner to administer the COVID 19 Emergency Rental Assistance program.

The American Rescue Plan Act was signed into federal law in March 2021 and included an additional $21.6 billion in Emergency Rental Assistance (ERA 2) for states and local units of government. The Department of the Treasury has indicated that Minnesota would receive, at a minimum, $314 million, to administer as emergency rental assistance. Local units of government in the metro area have the opportunity to draw a total of $85.9 million of ERA 2 assistance. ERA 2 did not include additional emergency rental assistance funds for Tribal Nations. The remainder of the state's allocation of ERA 2 will be allocated to Minnesota Housing, with the agency receiving a minimum of $229 million.

On May 7, 2021, Minnesota Housing certified to the Treasury that it would accept the full state of Minnesota share of ERA 2. The agency will coordinate with the local jurisdictions that may also have certified to receive funds directly from Treasury.

Staff seek approval to utilize the funds from ERA 2 pursuant to the agency's COVID 19 Emergency Rental Assistance program, subject to the federal requirements that apply to ERA 2. With this approval, the agency's COVID 19 Emergency Rental Assistance program will incorporate funds and federal requirements from both ERA 1 and ERA 2. The Department of Treasury continues to release guidance and there are some distinctions in the federal requirements that apply to each allocation. As required by Treasury, the agency will continue to track and report on use of the allocations separately. The program will continue to be subject to the requirements of Board Resolution 31 regarding delegated authority.

A summary of the requirements that apply to ERA 1 is reflected in the attached January 2021 board report and a summary of the requirements that apply to ERA 2 is provided below.

Program Summary for Emergency Rental Assistance 2 in the American Rescue Plan

Eligible Activities	• At least 75 percent of funds must be used for rent, utilities (both arrears and prospective) or other expenses related to housing. • Up to 15 percent of funds may be used for administrative expenses and 10 percent for housing stability services as defined by the Treasury secretary.
Eligible Recipients	• Renter households with incomes no more than 80 percent of Area Median Income and have experienced financial hardship during the coronavirus outbreak and can demonstrate a risk of experiencing homelessness or housing instability.

	• In addition, grantees must prioritize households with incomes no more than 50 percent of Area Median Income and to households where an individual has been unemployed for 90 days.
Payment	• Grantees may first offer payments directly to a lessor or utility/home energy provider on behalf of the eligible household. • The grantee must make payments directly to the eligible households if the payee is nonresponsive or will not participate, and the grantee may choose to make payments directly to households without contacting the payee.
Time Limitation	• Future payments may only be paid for three months at a time. Payments, including arrearages and future payments may not exceed 18 months, inclusive of any assistance received under ERA 1.
Use of Funds Timelines	• The initial funding from the Treasury Department will be up to 40% of the total grant to Minnesota Housing and additional funds would be made available when federal benchmarks are met. • Funds are available to use through September of 2025 for the ERA 2 pool.

Program Administration

Minnesota Housing will continue the operations of RentHelpMN with funds from ERA 2, starting with funding of activities that are more extensive than available under ERA 1:

- ERA 2 adds 3 months of total assistance per household, expanding assistance from 15 months to 18 months. Some RentHelpMN applicants have received the maximum of 15 months of assistance and could request 3 more months of assistance to maintain housing stability.
- Housing stability services for eligible households.
- Administrative activities as described below.

Ten percent of ERA 2 may be used for housing stability services. The agency previously issued an RFP and entered into contracts with a network of field partners to support outreach and application assistance, and funded those contracts through the ERA 1 administrative budget. With additional resources for housing stability services, the agency may issue an additional RFP to expand housing stability services available through RentHelpMN.

Minnesota Housing is using a number of new, temporary staff positions to facilitate RentHelpMN, including the Program Manager, and positions in evaluation, Field Partner support, communications and technology project management. As with ERA 1, activities performed by these staff members related directly to ERA 2 implementation will be tracked to the administrative budget under the ERA 2 funds.

Minnesota Housing will also continue to provide the following services under RentHelpMN with the ERA 2 funding by continuing and possibly expanding the contracts in place or by procuring one or more new contractors to perform centralized services in the following areas:

- Strategic management and oversight support.
- Robust marketing and communications including a statewide marketing campaign aimed at tenants least likely to know about and pursue assistance under RentHelpMN.

- Field Partner support for localized and culturally specific outreach and navigational services for households in need of assistance accessing and completing applications.
- Application call center support through a centralized provider.
- An online portal for tenant application and landlord payment registration including “back-end” components of application and payment processing.
- Centralized case management, file review, and payment support through a single staffing and management entity.
- Technology to support the marketing, processing, payment, and fraud controls related to operations for RentHelpMN.

Minnesota Housing intends to utilize the entire 15% administrative allowance in its ERA 2 grant to cover the cost of staff and contractors required to administer the program.

Given the flexibilities offered by the Treasury in implementing ERA 2 programs, Minnesota Housing may seek future approval from the Board to expand the activities under the program to include housing stability services and assistance for households at the greatest risk of displacement through a set aside of program funds for a targeted eviction prevention initiative.

Minnesota Housing’s program will serve the full state. The agency is continuing to coordinate with local jurisdictions that received direct allocations to attempt to streamline access and avoid confusion where there is overlap in geographic coverage areas.

The program may be subject to additional modifications in non-material ways or as necessary to comply with evolving federal requirements.

MINNESOTA HOUSING

Item: COVID-19 Emergency Rental Assistance

Staff Contact(s):
Rachel Robinson, 651.297.3125, rachel.robinson@state.mn.us
Jessica Deegan, 651.297.3120, jessica.deegan@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☐ Resolution	☐ Information

Summary of Request:
Staff seeks approval from the Board to establish the COVID-19 Emergency Rental Assistance (CERA) program. The Emergency Rental Assistance program will be funded by federal appropriations and will provide resources to assist households that are unable to pay rent and utilities due to the COVID-19 pandemic.

Fiscal Impact:
The program is expected to be funded by $289.4 million of federal funds allocated directly to the agency for emergency rental assistance.

Meeting Agency Priorities:
- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):
- Background

<u>Background</u>

On December 27, 2020, the Consolidated Appropriations Act of 2021 was signed into federal law and included $25 billion for states, territories and localities, and $800 million for tribal communities, to provide assistance to renter households that have experienced or are at risk of financial hardship due to the COVID-19 pandemic.

Minnesota's total initial allocation is $375,152,158.50, 55% of which is to be allocated directly to the State of Minnesota and 45% to local jurisdictions with populations above 200,000. These local jurisdictions include the cities of Minneapolis and Saint Paul and the counties of Anoka, Dakota, Hennepin, Ramsey and Washington. In addition, tribal nations were also eligible to certify for funding, separate from the total Minnesota allocation.

On January 12, 2021, Minnesota Housing certified to accept the full State of Minnesota share, and the local jurisdictions have all also certified to receive funds directly from Treasury.

Staff seek approval to establish the COVID-19 Emergency Rental Assistance program (CERA). Minnesota Housing will follow the specific requirements in the federal law and will not further target or limit the resources.

Program Summary

Eligible Activities	• At least 90 percent of funds must be used for rent, utilities and home energy costs (both arrears and prospective) or other expenses related to housing incurred due to the pandemic. • Up to 10 percent of funds may be used for administrative expenses or housing stability services as defined by the Treasury secretary.
Eligible Recipients	• Renter households with incomes no more than 80 percent of Area Median Income and have experienced financial hardship through the coronavirus outbreak and can demonstrate a risk of experiencing homelessness or housing instability. • In addition, grantees must prioritize households with incomes no more than 50 percent of Area Median Income and to households where an individual has been unemployed for 90 days.
Payment	• Grantees must make payments directly to a lessor or utility/home energy provider on behalf of the eligible household unless the lessor or utility/home energy provider does not agree to accept the payment, in which case the grantee may make payments directly to the eligible household. • Landlords can apply on behalf of tenants with their consent.
Time Limitation	• Future payments may only be paid for three months at a time. Payments, including arrearages and future payments may not exceed 12 months, however a grantee may provide assistance for up to 15 months, if necessary to maintain housing stability.

Use of Funds Timelines	• The Treasury Department may recapture any funds not obligated by grantees as of September 30, 2021 and reallocate to grantees who have obligated at least 65 percent of original grant at that time. Remaining funds will be available until December 31, 2021 with potential for a 90 day extension.

Program Administration

Minnesota Housing will add two new, temporary staff positions to facilitate the program, one program manager and one support position. The new staff will manage the day to day of the program, oversee all contractors, and help the Agency navigate compliance with reporting and deadlines set by Treasury.

Minnesota Housing is exploring utilizing a centralized intake process for the program that works for tenants applying directly and landlords applying on behalf of tenants. Minnesota Housing also expects to establish an online application system. In addition, in order to ensure the program reaches disparately impacted populations, the agency intends to establish a network of locally connected organizations.

Minnesota Housing intends to procure one or more contractors to perform centralized services in the following areas:

- Localized outreach, marketing, and navigational services for households in need of assistance accessing and completing applications.
- "One-stop" intake including the option to call for assistance that links directly to the online application.
- A technology platform designed specifically to integrate with the other program components and interface with tenants and landlords applying for assistance.
- Application processing and payment including review, clarification of applications, and payments.

Minnesota Housing intends to utilize the entire 10% administrative allowance in its grant to cover the cost of staff and contractors required to administer the program.

Minnesota Housing's program is expected to serve the full state. The agency is coordinating with local administrators and Tribal entities to determine if it is feasible to establish common platforms for intake to streamline access and avoid confusion where there is overlap in geographic coverage areas.

As ongoing guidance is anticipated from Treasury, staff ask that the Commissioner be authorized to make changes to the program deemed non-material or necessary to comply with federal requirements.

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MINNESOTA HOUSING

Board Agenda Item: 7.F
Date: 12/16/2021

Item: Selection of firms to serve on the Investment Banking/Underwriting Team for years 2022-2025

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

Request Type:

☒ Approval
  ☒ Motion
  ☐ Resolution

☐ No Action Needed
  ☐ Discussion
  ☐ Information

Summary of Request:
Staff requests a one-year waiver of the provision in section 1.10 of the Board Debt and Balance Sheet Management policy that provides for undertaking an RFP every four years for the appointment of the Agency's underwriting/investment banking team. In addition, since the existing appointment of the underwriting team expires at the end of 2021, staff seeks Board approval for appointing RBC Capital Markets as the senior manager of the Agency's underwriting/investment banking team, and Wells Fargo, Piper Sandler and JP Morgan as co-managers of the Agency's underwriting/investment banking team for 2022.

Fiscal Impact:
None.

Meeting Agency Priorities:

☐ Improve the Housing System
☐ Preserve and Create Housing Opportunities
☐ Make Homeownership More Accessible
☐ Support People Needing Services
☐ Strengthen Communities

Attachment(s):

- Background

Background

As outlined in section 1.10 of the Board's Debt and Balance Sheet Management Policy, every four years the Agency appoints a group of firms to serve as our investment banking/underwriting team. In addition, every four years the Agency selects a firm to serve as our Financial Advisor. Section 1.10 also provides that the appointment of the underwriting team and the selection of the Financial advisor should not be made at the same time, and not cover the same four-year period.

In each bonding resolution approved by the board, the underwriting team to be used for that bond transaction (or set of bond transactions) is identified, and the maximum compensation to the underwriting team is set. During the duration of the appointment of the underwriting team, the Agency has the right, at any time for any reason, to make changes to the composition of the underwriting team for any bond transaction (or transactions) pursuant to the Board adopted resolution setting the parameters for that transaction or transactions. However, absent extenuating circumstances, the Agency generally intends to keep the underwriting team in place for the usual four-year duration of the appointment.

In addition, the Agency also retains the right to use various combinations of co-managers (or no co-managers) from the appointed team on specific financings, again pursuant to the Board adopted bond resolutions. Currently, the Agency has a practice of using all the appointed co-managers for financings under the Homeownership Finance Bonds (HFB), the Residential Housing Finance Bonds (RHFB) and Housing Infrastructure Bonds (HIB) resolutions, and no-co-managers for the much smaller financings undertaken within the Rental Housing (RHB) indenture. Our intent is to continue this practice.

Also, for each transaction the Agency has the right to add additional investment banking firms to participate in the transaction as members of a Selling Group. In the recent past, the Agency has only utilized a Selling Group in conjunction with RHFB financings, and has generally included Morgan Stanley, Baird and UBS as the investment banking firms in the Selling Group. Though not subject to the Board's action appointing the underwriting team, it is the Agency's intent to continue to selectively utilize a Selling Group, most likely with RHFB financings, and with these same firms included.

Finally, the appointment of investment banking firms to the underwriting team applies to bond transactions only; other services (such as interest rate swaps, various credit and liquidity agreements, trading arrangements, etc.) broadly provided by investment banking firms are subject to appointment/selection/execution processes appropriate for the given activity, and in accordance with relevant Board oversight.

After consulting with the Commissioner, the Agency CFO had a conversation with the Agency's Financial Advisor (Gene Slater of CSG Advisors) reviewing the overall performance of the underwriting team over the last four years. In addition, the conversation assessed whether the

Agency was experiencing any significant gaps in underwriting services or ideas due to the composition of the existing underwriting team. Based on the Agency's experience, and CSG's work nationally with a wide range of HFA's, we concluded that the existing underwriting team is performing extremely well, and the Agency is well served by the team and our overall approach to working with our investment banking/underwriting partners.

Accordingly, given the extensive activity currently underway, (and expected in the near future as emergency federal funding programs continue to ramp up), across the Agency that requires attention from Agency staff and advisors, and the significant time commitment that would be required to undertake a full RFP process for the underwriting team now, staff is recommending the Board waive the requirement for an RFP for underwriting/investment banking and extend the appointment of the current investment banking team to serve as the underwriting team for 2022. The current intent is to issue an RFP for underwriting services late in 2022.

The selection of CSG Advisors as the Agency's Financial Advisor is governed by a contract that expires in December of 2023. Current intent is that the Agency will undertake an RFP for Financial Advisor upon the conclusion of CSG's existing contract.

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MINNESOTA HOUSING

Board Agenda Item: 7.G
Date: 12/21/2017

Item: Adoption, Resolution Authorizing Amendments to Minnesota Housing Finance Agency Direct Purchase Revolving Line of Credit Notes

Staff Contact(s):
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Debbi Larson, 651.296.8183, debbi.larson@state.mn.us
Paula Rindels, 651.296.2293, paula.rindels@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests approval of the attached resolution authorizing the amendment of certain terms and the extension of the Agency's Direct Purchase Revolving Line of Credit Note Agreement.

Fiscal Impact:
The proposed amendment does not increase the limitation on ongoing costs from the limits in the previous authorizing resolution; as before, the Agency will pay interest on any amounts drawn under the facility and the Agency will also pay a fee on the undrawn amount.

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Resolution

Background
At its meeting on April 26, 2018, the Board authorized the issuance and sale of Direct Purchase Revolving Line of Credit Note, as a tool to help reserve limited tax-exempt private activity bond volume cap since that volume cap is critical to supporting the Agency's financing of its homeownership and rental housing programs. The resolution adopted in April, 2018 authorized the issuance of a maximum of $200,000,000 in cumulative principal amount of Credit Notes, and the commitment of the Bond Purchaser to by the Credit Notes expires on May 29, 2020. At its meeting on October 17, 2019, the Board authorized the execution and delivery of an amended Credit Note in the cumulative maximum principal amount of $500,000,000, and the extension of the expiration date of the credit facility of at least another two years. Subsequently, at its meeting on October 22, 2020 the Board authorized raising the cumulative maximum principal of the Note to $1.1 billion, and at its meeting of February 25, 2021, the Board authorized raising the maximum principal amount outstanding at any time to $200 million.

As the Agency is approaching the maximum cumulative principal amount of the amended Credit Note (provided by the Royal Bank of Canada), staff are recommending amending the Credit Note to provide for a cumulative maximum of $1,700,000,000, and extending the current expiration date from December 31, 2021 to December 31, 2022. In addition, in anticipation of the eventual phasing out of the various LIBOR indices as a basis for calculating interest expense for variable rate financing instruments, staff are recommending adopting the 1 month SOFR (Secure Overnight Financing Rate) as a replacement index for LIBOR in the Note. The all-in maximum advance rate is proposed to be 1-month SOFR plus 65 basis points, which is anticipated to be lower than the existing maximum rate of LIBOR plus 70 basis points.

The initial issuance of the Credit Note in 2018 replaced the Index Flexible Drawdown Bonds the Board approved in April of 2016.

Since 2016, the agency as used over $1 billion in "recycling" capacity under these two Agreements. These facilities have enabled the issuance of a like amount of tax-exempt bonds without consuming private activity volume cap, which remains a critical and limiting resource for financing our affordable homeownership and rental housing programs on a low-cost basis. Providing over $600 million in future recycling capacity continues the Agency's approach to maximizing the financial leverage provided by tax-exempt bonds as a source of capital for the Agency's critical programs.

RESOLUTION NO. MHFA 21-071

RESOLUTION RELATING TO THE APPROVAL AND AUTHORIZATION OF AN INCREASE IN PRINCIPAL AMOUNT OF A NOTE ISSUED PURSUANT TO, AN EXTENSION OF THE TERM OF, AND A CHANGE IN THE RATE OF, A REVOLVING CREDIT AGREEMENT

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY (the "Agency"), as follows:

Section 1. Recitals.

1.01. Authority. The Agency is authorized under Minnesota Statutes, Chapter 462A, including, without limitation, Section 462A.08 thereof, as amended to issue bonds and notes and enter into loan agreements and request advances thereunder from time to time for the purpose of refunding any bonds or notes of the Agency then outstanding.

1.02. Purpose. Pursuant to Resolution No. MHFA 18-004, adopted April 26, 2018, the Agency determined to enter into a Revolving Credit Agreement dated as of June 1, 2018 (the "Original Revolving Credit Agreement"), between the Agency and Royal Bank of Canada, acting through a branch now located at 200 Vesey Street, New York, New York (the "Bank") whereby the Agency approved the issuance and sale of a note (the "Original Note") to evidence and secure cash advances from the Bank to the Agency pursuant to the terms of the Original Revolving Credit Agreement (the "Advances"); those Advances are used to preserve funding for the Agency's program (the "Program") of purchasing mortgage loans made to low and moderate income persons and families to finance owner-occupied single family housing by refunding eligible bonds and notes of the Agency from time to time (the "Refundings"). The Original Revolving Credit Agreement and the Original Note have been amended from time to time to reflect changes in their terms (as so amended, the "Revolving Credit Agreement" and the "Note", respectively). Pursuant to Resolution No. MHFA 20-055, adopted by the Agency on October 22, 2020 (the "2020 Note Resolution"), the Agency authorized (i) the Third Amendment to Revolving Credit Agreement, dated November 12, 2020 between the Agency and the Bank (the "Third Amendment to Revolving Credit Agreement"), and (ii) an amended and restated note payable to the order of the Bank in a maximum cumulative principal amount of $1,100,000,000 (as such note was amended and restated on November 12, 2020, the "Second Amended Note"). Resolution No. MHFA 21-007 (the "2020 Note Resolution Amendment"), adopted by the Agency on February 25, 2021, amended the 2020 Note Resolution to provide that the outstanding principal amount of the Second Amended Note and the Advances under the Revolving Credit Agreement evidenced thereby may not exceed $200,000,000 at any one time; a related Fourth Amendment to Revolving Credit Agreement dated February 25, 2021 occurred after the 2020 Note Resolution Amendment.

It is determined to be in the best interests of the Agency to further amend the Revolving Credit Agreement by entering into (i) a Fifth Amendment to Revolving Credit Agreement (the "Fifth Amendment to Revolving Credit Agreement"), and (ii) an amendment and restatement of the Second Amended Note by the execution and delivery of a Third Amended and Restated Note (as amended and restated, the "Third Amended Note"), each to increase the maximum principal amount of the Third Amended Note from $1,100,000,000 to $1,700,000,000, extend the term of the Revolving Credit Agreement from December 31, 2021 to December 30, 2022, and change the calculation of interest on the Third Amended Note as reflected in the terms of the Indenture, the Third Amended Note and the Revolving Credit Agreement, respectively. The Third Amended Note and the Advances under the Revolving Credit Agreement evidenced thereby are secured by the allocation, for federal income tax purposes, from time to time, of the transferred and replacement proceeds of each of the Refundings to the Cash Collateral Fund established by the hereinafter defined Indenture as a subaccount within the Alternative Loan Fund maintained pursuant to Resolution No. MHFA 95-82, adopted August 24, 1995 (which amended and restated in whole Resolution No. MHFA 76-32, adopted July 27, 1976, as amended) (together with any amendments or supplements heretofore or hereafter adopted from time to time as permitted therein, the "Bond Resolution"). Subsequent to the redemption, repayment or maturity of the Third Amended Note and the Advances under the Revolving Credit Agreement evidenced thereby, the amounts made available from the refunding of the Third Amended Note at redemption, repayment or maturity will be made available for the Program.

1.03. Indenture. The Amended and Restated Trust Indenture dated as of June 1, 2018 (the "Original Indenture"), between the Agency and Wells Fargo Bank, National Association (the "Original Trustee"), as amended by the First Amendment to Amended and Restated Trust Indenture, dated as of October 28, 2020, between the Agency and the Original Trustee, and the Second Amendment to the Amended and Restated Trust Indenture, dated as of November 12, 2020, which provides security for the Second Amended Note and the Advances under the Revolving Credit Agreement evidenced thereby, will be further amended by the Agency and Computershare Trust Company, National Association as successor in interest to the Original Trustee (the "Successor Trustee"), to reflect the terms of the Third Amended Note and the Revolving Credit Agreement, pursuant to that Third Amendment to Amended and Restated Trust Indenture (the "Third Amendment to Amended and Restated Trust Indenture") dated as of December __, 2021 (the Original Indenture, as so amended by the First Amendment to Amended and Restated Trust Indenture, the Second Amendment to Amended and Restated Trust Indenture, and the Third Amendment to Amended and Restated Trust Indenture, is referred to in this resolution as the "Indenture").

1.04. Third Amended Note, Revolving Credit Agreement and Indenture. Pursuant to the terms of the Revolving Credit Agreement, the Bank will continue to make Advances to the Agency for the purpose of providing funds for the Refundings. The Third Amended Note will be issued by the Agency to the Bank to evidence and secure any Advances. Moneys received by the Agency pursuant to the Refundings funded by those Advances will be deposited to the Cash Collateral Fund created and held under the Indenture.

The obligation to pay principal of the Third Amended Note and the Advances under the Revolving Credit Agreement evidenced thereby when due will be payable from and secured by amounts on deposit in the Cash Collateral Fund. As security to pay principal of the Third Amended Note and the Advances under the Revolving Credit Agreement evidenced thereby, upon any Refunding funded with any Advance, the Agency will cause funds to be transferred from the Revenue Account, Bond Principal Account and/or Redemption Account of the Bond Resolution or Resolution No. MHFA 09-71, adopted December 11, 2009 (together with any amendments or supplements heretofore or hereafter adopted from time to time as permitted therein), as applicable, and such funds will be deposited into the Cash Collateral Fund. The amount of funds held in the Cash Collateral Fund will at all times be at least equal to the outstanding principal amount of the Third Amended Note and the principal portion of Advances under the Revolving Credit Agreement evidenced thereby.

The obligation to pay interest due with respect to the Third Amended Note and the interest portion of the Advances under the Revolving Credit Agreement evidenced thereby will be a general obligation of the Agency payable from and secured by amounts on deposit in the Cash Collateral Fund and any moneys, assets or revenues of the Agency, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacting appropriating particular funds for a specified purpose. The Third Amended Note and the Advances under the Revolving Credit Agreement evidenced thereby will not constitute or give rise to a pecuniary liability of the State of Minnesota (the "State") or any political subdivision thereof or constitute a debt or loan of the credit of the State or any political subdivision thereof.

1.05. Public Hearings. The Agency has conducted public hearings, each duly noticed, on the proposal that the Agency issue qualified mortgage bonds in the additional maximum principal amount of $600,000,000 as required by Section 147(f) of the Internal Revenue Code. All parties who appeared at the hearings (if any) were given an opportunity to express their views with respect to that proposal and interested persons were given the opportunity to submit written comments to the Agency prior to the date of each of the hearings.

1.06. Documentation. Draft forms of the following documents (collectively, the "Amended Note Documents") relating to the Third Amended Note have been prepared and submitted to the Agency and are hereby directed to be filed with the Agency and its agents and representatives:

(a) A proposed form of the Third Amendment to Amended and Restated Indenture; and

(b) A proposed form of the Fifth Amendment to Revolving Credit Agreement (which includes the proposed form of the Third Amended Note).

Section 2. Authorization of the Third Amended Note and Approval of the Amended Note Documents.

2.01. To provide sufficient funds to be used and expended for the purposes set forth in Section 1.01, it is now determined to be necessary to issue the Third Amended Note pursuant to the Amended Note Documents, provided that (a) the outstanding principal amount of the Third Amended Note and the Advances under the Revolving Credit Agreement evidenced thereby may not exceed $200,000,000 at any one time, (b) the cumulative amount of Advances made pursuant to the Revolving Credit Agreement and evidenced by the Third Amended Note may not exceed $1,700,000,000, (c) the Third Amended Note will mature at any time or times in the amount or amounts not later than 35 years from the date of initial issuance thereof and (d) will have a redemption or payment date not later than 2 years from the date of initial issuance thereof, unless the repayment date is otherwise extended pursuant to the Amended Note Documents. The

Agency is hereby authorized to enter into the Amended Note Documents and issue the Third Amended Note to the Bank, including any further amendments thereto conforming to the parameters set forth in the preceding sentence, in exchange for the return by the Bank and cancellation of the Third Amended Note, to provide funds to be used to refund outstanding bonds or notes of the Agency from time to time to preserve funding for the Program.

2.02. The forms of the Amended Note Documents and the Third Amended Note, the provisions of which are incorporated herein by reference, are hereby approved, subject to those modifications as are deemed appropriate and approved by an Authorized Officer (as hereinafter defined), which approval will be conclusively evidenced by execution of the Amended Note Documents by an Authorized Officer. Copies of all the documents will be delivered, filed or recorded as provided therein. An Authorized Officer is also authorized and directed to execute any other instruments as may be required to give effect to the transactions herein contemplated.

Section 3. Terms of Note.

(A) Terms. The Third Amended Note will be issued in a maximum principal amount of $1,700,000,000, provided that the outstanding principal amount of the Third Amended Note and the Advances under the Revolving Credit Agreement evidenced thereby may not exceed the lesser of $200,000,000 or the "commitment amount" set forth in the Revolving Credit Agreement, and will be dated the date of its initial delivery. The Third Amended Note and the Advances under the Revolving Credit Agreement evidenced thereby will be payable as to principal and interest on the dates, will bear interest at an index rate and will be subject to prepayment, repayment and mandatory purchase at times and upon the terms and conditions to be set forth in the Amended Note Documents. Unless the Third Amended Note and the Advances under the Revolving Credit Agreement evidenced thereby is bearing interest at a default rate or a taxable rate, the interest rate on the Third Amended Note will not exceed a rate for any accrual period of more than the sum of (i) the greater of the Floor (initially 0.00% pursuant to the Fifth Amendment to Revolving Credit Agreement) or the Term SOFR Rate (or such other Benchmark Replacement adopted pursuant to the terms of the Revolving Credit Agreement), plus (ii) 65 basis points (capitalized terms used in this Section 3(A) are defined in the Revolving Credit Agreement). Any Authorized Officer is authorized to approve the final terms and conditions of the Third Amended Note, that approval to be evidenced by the execution and delivery of the Third Amended Note by that Authorized Officer.

(B) Registration and Transfer. The Third Amended Note will not be subject to registration and initially will be held directly by the Bank; the Third Amended Note will be subject to transfer and participation pursuant to the Indenture and the Revolving Credit Agreement.

Section 4. Preparation and Execution. The Third Amended Note will be prepared in substantially the form prescribed in the Revolving Credit Agreement, and will be executed by the manual or facsimile signature of the Chairman or Vice-Chairman, attested by the manual or facsimile signature of the Commissioner and authenticated by manual signature of the Successor Trustee.

Section 5. General Tax Covenant. The Agency recognizes the obligation to comply with the provisions of the Code regarding the exclusion of interest from federal gross income of the interest on the Third Amended Note and the Agency will not take, or permit or cause to be taken, any action that would adversely affect that exclusion of interest, and will take or cause to be taken any action necessary to maintain that exclusion from gross income and, if it should fail to take or permit, or cause to be taken, as appropriate, any of those actions, the Agency will use its best efforts to take all lawful actions necessary to rescind or correct those actions or omissions promptly upon having knowledge thereof.

Section 6. Authentication of Proceedings. The Chairman, Vice-Chairman, Commissioner, Chief Financial Officer and Director of Finance and other officers of the Agency (each an "Authorized Officer") are authorized and directed to furnish to the Successor Trustee and bond counsel certified copies of all proceedings and records of the Agency relating to the Third Amended Note and the other Amended Note Documents, and any other affidavits and certificates as may be required to show the facts relating to the legality and validity of the Third Amended Note and the other Amended Note Documents as those facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all those certified copies, certificates and affidavits, including any heretofore furnished, will constitute representations of the Agency as to the truth of all statements of fact contained therein.

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Adopted by the Minnesota Housing Financing
Agency this 16th day of December, 2021.

By:________________________________
Chairman

Attest:______________________________
Commissioner

[Signature page to Resolution No. MHFA 21-071]

MINNESOTA HOUSING

Board Agenda Item: 8.A
Date: 12/16/2021

Item: 2021 Cost Containment Report

Staff Contact(s):
John Patterson, 651.296.0763, john.patterson@state.mn.us

Request Type:

☐ Approval	☒ No Action Needed
☐ Motion	☒ Discussion
☐ Resolution	☐ Information

Summary of Request:
Staff is providing for your review and discussion the 2021 Cost Containment Report, which provides data and information on the cost of developing and rehabilitating housing and the Agency's success in containing costs. This report provides important context when you review the projects that staff are recommending for funding through the Consolidated RFPs next month.

Fiscal Impact:
None.

Meeting Agency Priorities:
- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☒ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):
- 2021 Cost Containment Report

Cost Containment Report

2021

MINNESOTA HOUSING

OVERVIEW AND CONTEXT

Containing the cost of housing development is a critical issue in Minnesota. In 2019, about 536,000 Minnesota households were cost burdened by spending more than 30 percent of their income on housing.[1] If we are to address the severe shortage of housing that is affordable, we must build and preserve as many affordable units as possible with the limited resources available, which requires us to be cost conscious. However, cost containment requires tradeoffs and a balanced approach.

- Using lower quality materials and less efficient systems will reduce upfront costs, but they can also increase ongoing maintenance, repair, and utility costs, which may not be cost-effective in the long run.

- Using lower quality materials and more basic designs for a building's exterior will also reduce costs, but they will also make it more challenging to fit affordable housing in the surrounding neighborhood, particularly higher-incomes communities, which can lead to community opposition and increase costs related to delays, re-design, and projects not moving forward.

- Siting developments in less expensive locations can save money, but it can also reduce the tenants' access to jobs, services, amenities, safe neighborhoods, public transportation, good schools, and other benefits.

We based our 2020-23 Strategic Plan on the principle that housing is the foundation for success, providing individuals, families and communities the opportunity to thrive. To achieve this outcome for as many lower-income households as possible, our goal is to finance high-quality, durable, location-efficient housing that provides access to jobs, transit, and other amenities and is built at reasonable costs. We are balancing the goal of cost containment with other policy objectives.

[1] Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2019, 1-year sample).

Overall, as the following assessment shows, we have been effective at containing costs for nearly two decades – maintaining relatively consistent total development costs (TDC) while pursuing other policy objectives that can increase costs, including supportive housing for people experiencing homelessness and people with disabilities, energy-efficient and healthy homes, and locations that provide access to jobs, transit, and other amenities. We continue to identify and pursue additional strategies to contain and reduce costs, including encouraging different types of construction methods.

This report is broken into two sections – the first addresses multifamily costs, and the second addresses single family costs.

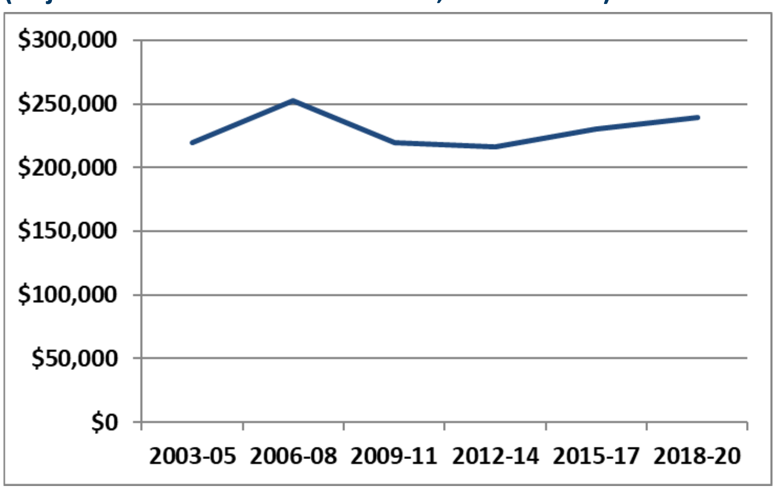
MULTIFAMILY COSTS

In a typical year, we distribute $150 million to $200 million for multifamily development.[2] We work to allocate these funds efficiently and effectively to address the significant shortage of housing that is affordable, particularly for those with the lowest incomes. The first part of this Multifamily section provides an overview of our results, and the second part outlines our strategies for achieving those results and pursuing additional cost containment.

Overview of Multifamily Costs

Overall, the average TDC per unit for the housing we have financed has been around $225,000 for the last decade and a half, after controlling for inflation in residential construction. The data in Figure 1 applies to all types of developments, including new construction, rehabilitation, metro area, Greater Minnesota, tax credit, non-tax credit, workforce housing, and supportive housing. The trend line is influenced not only by the underlying cost trends but also by the mix of projects in a given year.[3] For example, a larger share of resources going to new construction with tax credits in the metro area will increase average costs, while a larger share going to rehabilitation without tax credits in Greater Minnesota will decrease average costs.

Figure 1: Average TDC per Unit 2003 to 2020 – All Types of Developments (Adjusted for Construction Inflation, 2021 Dollars)



To control for the mix of projects in the trend line, Figure 2 shows average TDC per unit just for new construction projects with tax credits in the metro area. Again, average costs are relatively

[2] This includes syndication proceeds from 9% housing tax credits.
[3] To increase the comparability of the data, we excluded developments with a TDC per unit that were less than $40,000, which took out rehabilitation projects with a more limited scope of work and added consistency to the level of rehabilitation being assessed. We also excluded developments with an overall acquisition cost of less than $10,000, which excludes projects with no acquisition or heavily subsidized acquisition.

constant, but at a slightly higher level, around $300,000. Costs are relatively consistent or contained cost over time.

Figure 2: TDC per Unit 2003 to 2020 – New Construction with Tax Credits in the Metro Area (Adjusted for Construction Inflation, 2021 Dollars)

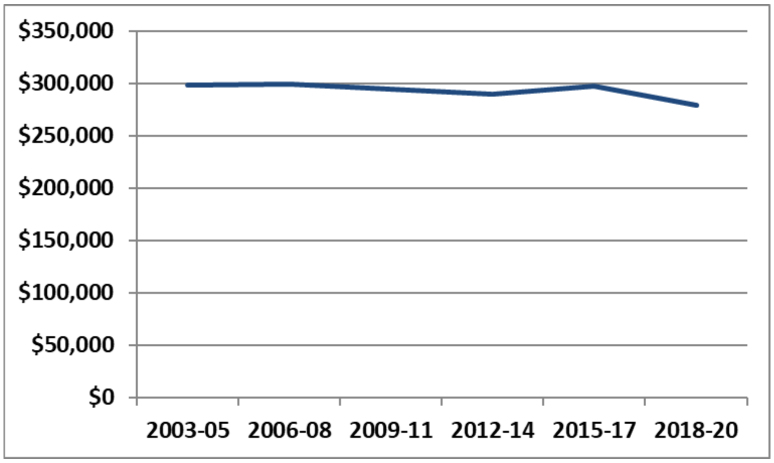
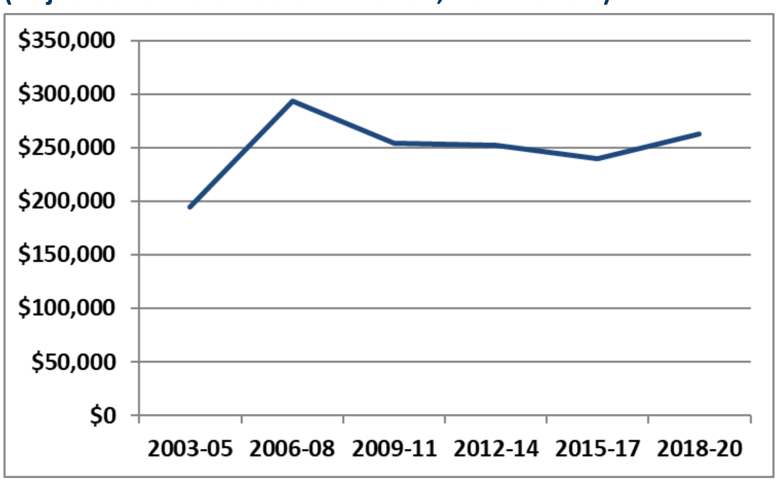


Figure 3 shows the equivalent graph for Greater Minnesota, with lower costs ($250,00) but similar cost containment.

Figure 3: TDC per Unit 2003 to 2020 – New Construction with Tax Credits in Greater Minnesota (Adjusted for Construction Inflation, 2021 Dollars)



Most importantly, we have contained costs while also taking on policy initiatives that can increase costs.

- In 2003, we added a selection and funding priority for supportive housing for people experiencing homelessness, which is generally a more costly type of development.

- In 2007, we added our Green Communities Overlay, which requires our developments to have energy-efficient and healthy-home features.

- In the last several of years, we strengthened our location efficiency priority by making it more geographically precise and increasing the points it receives in the selection process. Housing that is in a walkable neighborhood and near transit, jobs, and other amenities can be more expensive.

While we added or enhanced these policy objectives, we also added cost containment provisions.

- Starting in 2006, we developed and used our predictive cost model, which compares a development's proposed costs with the costs that we would expect for that development based on the Agency's experience with similar projects and industry-wide standards. This process flags high cost developments and helps maintain costs at a reasonable level.

- With the Qualified Allocation Plan (QAP) for the 2014 Low-Income Housing Tax Credits (LIHTC), we added a selection criterion to incentivize minimizing costs by giving a preference to the 50 percent of tax credit applications with the lowest TDC per unit, taking into account unit sizes, location and type of activity (new construction versus rehabilitation). With the 2022-2023 QAP, we dropped this scoring criterion. We were concerned that the points were a disincentive to use innovative energy efficiency/conservation efforts, which can add to upfront development costs but provides long-term benefits and savings. The scoring also became complicated by the fact that some state requirements, such as prevailing wage, increase costs and apply to most tax credit developments but not all. Finally, having the criterion did not appear to have a substantial impact on costs, which did not go down after it was put in place, and we were able to effectively contain costs prior to it being added. We will continue to monitor costs to see if dropping this selection criterion has an impact on the costs going forward.

- In 2014, we also launched the Minnesota Challenge to Lower the Cost of Affordable Housing, which was initiated as an idea competition to identify and address system-level factors (such as land use policies or design standards) that increase costs for all developments. Since this initial competition, we have carried out several activities to address these systemic-cost drivers.

- In 2019 through 2021, we participated in and co-sponsored the Construction Revolution, which is an initiative to increase innovation in residential construction techniques with a focus on modular and offsite construction.

More information on these initiatives is provided in the report's next section.

To contain costs, it is important to understand the factors that drive costs. Table 1 provides a break out of costs by project type, location and cost component.

- New construction with tax credits in the Twin Cities metro area is the most expensive type of project, while rehabilitation without tax credits in Greater Minnesota is the least expensive.

- Not surprisingly, construction accounts for the clear majority of costs in new construction projects, while construction and acquisition costs are both key cost drivers of rehabilitation projects. Addressing these costs will have the largest impact in reducing or containing TDCs.

- While soft costs (non-construction costs) account for a smaller share of TDC (15 percent to 24 percent), they should be a key focus of cost containment strategies. Reducing construction costs can affect the quality, durability, and energy efficiency of the housing; and reducing acquisition costs can affect location efficiency. While soft costs are a necessary component of a housing development, eliminating inefficiencies in these costs will not affect the quality of the housing.

- Low-Income Housing Tax Credits (LIHTC) appear to add six to seven percentage points to the share of TDC attributable to soft costs, likely due to the added complexity and cost of putting together and financing a tax credit deal. For developments without tax credits, soft costs account for 15 to 17 percent of TDC. That percentage jumps to 21 to 24 percent for developments with tax credits.

Table 1: Share of TDC by Project Type, Location and Cost Component
Developments Completed between 2003 and 2020 (Adjusted for Construction Inflation, 2021 Dollars)

			Avg. TDC per Unit	Share of TDC			N
				Construction	Acquisition	Soft	
New Const.	LIHTC	Metro	$294,378	69%	7%	24%	91
New Const.	No-LIHTC	Metro	$234,741	73%	10%	17%	20
New Const.	LITHC	Greater MN	$242,804	73%	5%	22%	64
New Const.	No-LIHTC	Greater MN	$211,660	78%	7%	15%	17
Rehab	LIHTC	Metro	$233,172	35%	42%	23%	42
Rehab	No-LIHTC	Metro	$160,906	44%	41%	15%	26
Rehab	LITHC	Greater MN	$145,434	42%	36%	21%	40
Rehab	No-LIHTC	Greater MN	$101,665	42%	42%	16%	21

Strategies for Containing and Reducing Multifamily Costs

As mentioned earlier, we have taken a three-pronged approach to containing costs up to this point.

1. Assess Cost Reasonableness

2. Incent Cost Containment and Reductions in the Selection of Projects for Housing Tax Credits, which is being dropped with the 2022-2023 QAP.

3. Address Systemic Cost Drivers

Strategy 1: Assess Cost Reasonableness

Minnesota Housing assesses each development for cost reasonableness. An important tool for identifying high cost developments is our predictive cost model. The model predicts a development's TDC per unit based on its characteristics. To develop the parameters for the model, we run a multivariate regression analysis on the inflation-adjusted costs and characteristics of the developments that the Agency financed between 2003 and 2020. The analysis uses the historical data to assess the effect that each of the following factors simultaneously has on TDC per unit:

- Activity Type:
    - New Construction
    - Extensive Rehabilitation[4]
    - More Limited Rehabilitation

[4] This involves more extensive work on the interior, exterior, electrical, and mechanical systems of a property. "Extensive" versus "more limited" is determined by staff using internal definitions.

  - Combination of New Construction and Rehabilitation
  - Conversion/Adaptive-Reuse
- Building Type:
  - Walkup
  - Elevator
  - Townhome
  - Single Family Home/Duplex
- Number of Stories
- Unit Size – based on average number of bedrooms per unit in the development
- Gross Square Footage
- Location:
  - Minneapolis or Saint Paul
  - Suburbs in Twin Cities Seven-County Metro Area
  - Greater Minnesota – Large City[5]
  - Greater Minnesota – Regional Job Center[6]
  - Greater Minnesota – Rural
- Year Built
- Underground Garage
- Acquisition:
  - Land
  - Structure
  - None
- Financing:
  - Tax Credits
  - Number of Funding Sources
- Special Costs:
  - Historic Preservation
  - Environmental Abatement
  - Supportive Housing
  - Prevailing Wages

[5] The large cities are Duluth, Rochester, St. Cloud, Moorhead, and Mankato; and include a five-mile commute shed around the cities.

[6] There are 51 regional job centers, which are the top 15 percent of cities and townships in number of jobs. They include: Albert Lea, Albertville, Alexandria, Austin, Baxter, Bemidji, Brainerd, Buffalo, Cambridge, Cloquet, Cold Spring, Crookston, Detroit Lakes, Elk River, Fairmont, Faribault, Fergus Falls, Goodview, Grand Rapids, Hibbing, Hutchinson, International Falls, La Prairie, Little Falls, Marshall, Montevideo, Monticello, Morris, North Mankato, Northfield, Onamia, Owatonna, Park Rapids, Perham, Pipestone, Red Wing, Roseau, Saint Michael, Saint Peter, Sartell, Sauk Rapids, Thief Rivers Falls, Virginia, Waite Park, Waseca, Willmar, Windom, Worthington, and Wyoming. These areas also include a five-mile commute shed around the cities.

We apply the model's cost parameters for these factors to a proposed development to predict its costs. The model is also benchmarked against industry-wide cost data to ensure that our costs are in line with the industry. With different development characteristics, the predicted total development costs for new construction can vary from $200,000 to $450,000 per unit.

Overall, the model explains a sizable portion (56 percent to 73 percent) of the variation in the costs for developments that we financed between 2003 and 2020, which is a robust result.[7] For comparison, Abt Associates (a national consulting firm) released in August 2018 a cost analysis of housing tax credit developments from across the county, and their regression models explained 52 to 54 percent of the variation in the national data.[8] Similarly, the U.S. Government Accountability Office (GAO) released in September 2018 another cost analysis of tax credit developments, and their regression models explained 63 to 65 percent of the variation in their national data.[9] Besides the statistical rigor, the model has proven very effective over the last decade and a half in objectively and systematically flagging developments with high costs. Each year, we revise and enhance the model based on the previous year's results and staff feedback.

Over time, we have tested models that predict costs on a per-unit and a per-square-foot basis. Based on our testing, the per-unit models have explained a larger share of the variation. We believe this has occurred for two reasons. First, some costs are clearly tied to the unit and do not increase with the size of the units. For example, apartments regardless of unit size have one kitchen (unless single-room-occupancy). Second, and most importantly, the per-unit model that we use includes a cost factor that accounts for unit size. Developments with larger units and more bedrooms have higher predicted costs.

Under current practice, when staff recommend to the Board developments for funding, they identify the developments with a proposed cost that is more than 25 percent higher than the model's predicted cost, and the Board can decide to grant a waiver allowing the higher cost. For the higher-cost projects that staff recommends for funding, staff needs to explain why the proposed costs are reasonable even though they are above the 25 percent threshold. There are a wide range of valid reasons why the costs could be reasonable. For example, a housing development and site may be critical to meet a local housing need, but the site requires an unusually large amount of environmental remediation.

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[7] The model explains about 73% of the variation in construction costs and about 56% of the variation in soft costs.

[8] Abt Associates, *Variation in Development Costs for LIHTC Projects* (prepared for the National Council of State Housing Agencies, August 30, 2018). The adjusted R-Squared values shown in the appendix varied from 0.5222 to 0.5433.

[9] U.S. Government Accountability Office (GAO), *Low-Income Housing Tax Credit: Improved Data and Oversight Would Strengthen Cost Assessments and Fraud Risk*, (September 2018, GAO-18-637). The adjusted R-Squared values shown in Appendix II varied from 0.626 to 0.648.

While the predictive cost model is a useful tool to identify high-cost developments, it is not the only way that Agency staff review cost reasonableness. The professional judgment and expertise of our underwriting and architectural staff also play a critical role in the assessment of cost reasonableness. Even if a project has costs that are within the 25 percent predictive cost model threshold, staff can still question costs if they seem high given the context of the development. Our staff has extensive experience reviewing funding applications and development costs. Each year, they typically evaluate 75 or more applications.

Strategy 2: Incent Cost Containment and Reductions in the Selection of Projects for Low-Income Housing Tax Credits

For the Qualified Allocation Plans (QAPs) for 2014 through 2021 Low-Income Housing Tax Credits, we added a cost criterion for selecting developments that receive the credits. The 50 percent of tax credit applications with the lowest TDC per unit were eligible to receive six points in the selection process. We controlled for activity-type and location cost differences by dividing the applications into four groups.

1. New Construction in the Twin Cities metro area
2. New Construction in Greater Minnesota
3. Rehabilitation in the Twin Cities metro area
4. Rehabilitation in Greater Minnesota

Within each of the four groups, the applications with the lowest costs are eligible for the points. As a result, projects are only competing with similar projects for the points. When comparing costs and awarding points, we also adjust the costs to account for unit size differences. Projects with predominantly smaller units (efficiencies and one bedroom) have their costs adjusted upward when making comparisons; and projects with predominantly large units (three or more bedrooms) have their costs adjusted downward.[10] This levels the playing field when comparing costs.

As explained earlier, we eliminated these cost containment points with the 2022-2023 QAP

Strategy 3: Address Systemic Cost Drivers

The first two tactics address costs that are specific to individual developments. Systemic cost drivers outside the control of developers are critical issues that also need to be addressed. These cost drivers ranged from local policies and regulations that increase the cost of housing

[10] To be classified as a development with small units, 75 percent or more of the units have to be efficiencies or have one bedroom. To be classified as a development with large units, 50 percent or more of the units have to have three or more bedrooms.

(such as maximum densities), to the large cash reserves that funders and investors may require for affordable housing developments, to the complexity of assembling the multiple sources of funding that make an affordable housing deal work.

In January 2014, Enterprise Community Partners and the Urban Land Institute's (ULI's) Terwilliger Center for Housing released a report on best practices from across the country to address these systemic cost drivers.[11] Overall, the report finds that containing and reducing costs in a prudent and effective way does not involve a single magic bullet. Rather, housing costs are driven by dozens of small inefficiencies. As one of the lead authors described it, "death by a thousand cuts."[12]

To take on these cost drivers, we partnered with the McKnight Foundation, Enterprise, and ULI/Regional Conference of Mayors to create an initiative for Minnesota to implement these types of practices, which became the MN Challenge to Lower the Cost of Affordable Housing. It began in the winter of 2014 as an idea competition. We asked the development community to create cross-discipline teams (developers, funders, attorneys, local officials, housing advocates, etc.) and develop and submit ideas to address these systemic cost drivers. From the 12 submissions, we selected one to receive $70,000 for implementation.[13]

The winning idea was submitted by the Center for Urban and Region Affairs at the University of Minnesota, the Housing Justice Center, and Becker Consulting. Their proposal addresses the issue of local practices and policies that add to the cost of affordable housing, including fees, land-use and zoning policies, approval processes, and others. These cost drivers have been identified and known for years. The value of this idea was identifying and implementing best practices to address them, which included providing technical assistance to communities to pursue the practices and encouraging regional organizations to incorporate the implementation strategies into their policies and guidelines, including the Metropolitan Council's Planning Handbook and Housing Performance Scores and ULI's Tool Box for local communities.

As part of our overall cost containment strategy, we have initiated several initiatives that address systemic cost drivers.

- **2014 – Minnesota Housing's Multifamily Remodel Project.** We carried out a project for our Multifamily Division to redesign and streamline its application and funding processes - everything from proposal inception through application, selection,

[11] Enterprise Community Partners and Urban Land Institute's Terwilliger Center for Housing*, Bending the Cost Curve on Affordable Rental Development: Understanding the Drivers of Costs* (January 2014).
[12] Michael Spotts, Enterprise Community Partner, presentation to the Affordable Housing Investors Council (AHIC), Portland Oregon, October 9, 2014.
[13] The initiative was jointly funded by the McKnight Foundation and Minnesota Housing.

underwriting, closing, construction management, and lease up. The purpose of the remodel is to reduce the time it takes a development to move from concept to occupancy. A key finding from the Enterprise/ULI report identified complexity, uncertainty, and delays in the funding process as cost drivers. The project has achieved positive outcomes. For example, we created a customized online portal to receive funding applications for the multifamily consolidated RFP, eliminating paper applications.

- **2015 – MinnDocs – Consolidated Legal Documents**. Most affordable housing projects have multiple deferred loan funding sources, each with their own set of legal documents and attorneys, which add unnecessary costs. The Enterprise/ULI report highlighted Massachusetts' practice that consolidates legal documents for all subordinate debt into a single set. The development community in Minnesota was intrigued, and we took initial steps to pursue the concept. The complexity of making this work turned out not to be worth the limited cost savings that would result.

- **2016 - Minnesota Housing's Design and Construction Standards.** As part of our annual preparation for the consolidated RFP, we review these standards. During 2016, we specifically reviewed the standards with an emphasis on cost containment. We focused on reducing life-cycle costs (which includes ongoing maintenance, repair, and utility costs), not just upfront development costs. Specifically, we surveyed architects, general contractors, and developers who work on the developments that we finance about the standards and costs. We received 66 responses. Based on the feedback, we made several design changes that should reduce costs. For example, we clarified that a separate dining room is not required in units with two or more bedrooms but that a dining area (or eat in kitchen) is sufficient. Each of the changes to the standards will unlikely result in significant savings, but they are more examples of small savings that can lead to larger savings when combined with each other over time.

- **2017 – Developer Fees.** These fees compensate developers for the time, compliance requirements, and risks associated with developing affordable housing and can account for a substantial portion of a development's softs costs. The maximum developer fee that Minnesota Housing allows is 15 percent of TDC for the first 50 units and 8 percent for additional units. In 2017, we assessed our fees and found that they are consistent with other states and that the average fee taken by our developers is 7 percent of TDC, well below our maximum. Given our cost containment incentives, it appears that developers are typically taking the minimum fee that still allows the deal to work for them. If developers take a higher fee, their applications will be less competitive in a highly competitive process, particularly for 9% tax credits. Based on this analysis, we decided not to adjust our developer fee structure at that time, but it is an area that we will continue to assess given the size of these costs.

- **2018 – Housing Task Force.** Minnesota Housing was a lead sponsor of the Task Force, providing much of the staff support. The cost of developing housing was a primary issue addressed by the Task Force, which made several cost-related recommendations, including:

    - Position Minnesota as a national leader in the advancement of housing innovation and technology, which should increase the efficiency and productivity of developing housing and reduce the costs.

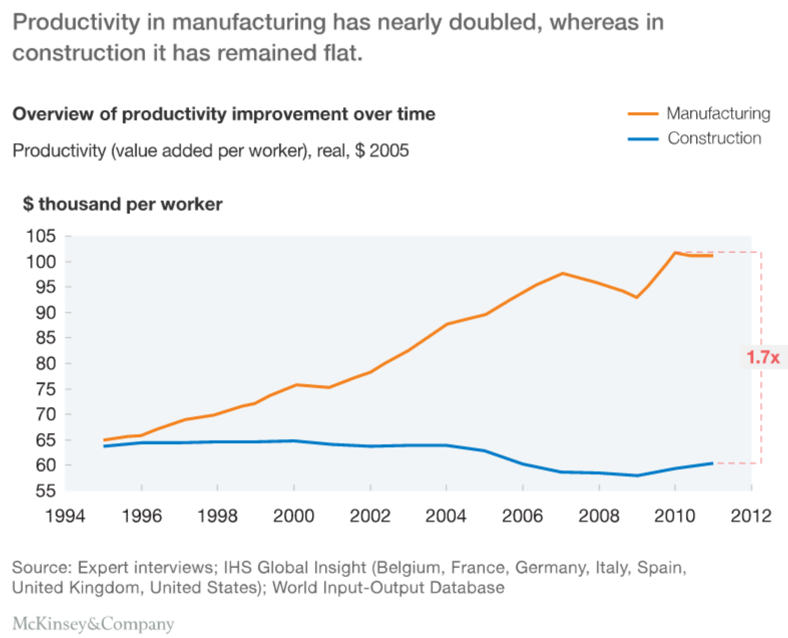
    - Grow the pool of talent in Minnesota's building trades to enable the sector to meet current and future demand, which should address the current shortage of skilled labor.

    - Create a statewide review panel to evaluate regulations related to building standards, land use, and environmental stewardship for their impact on housing affordability.

  While these actions are largely outside the scope of our work, they would directly impact the cost of the housing that we finance.

- **2019 through 2021 – Offsite Construction and Other Innovative Techniques.** In 2019, we helped organize and co-sponsored the Construction Revolution Summit, which pursued the innovation and technology recommendation from the Housing Task Force. The summit brought together construction industry leaders to discuss barriers and opportunities to advancing offsite construction (including modular and panelized). Offsite construction, particularly modular, has struggled to take hold in the United State but has the potential to significantly reduce construction costs.

  Housing construction is ripe for a major systemic change. Unlike other industries, it has not experienced meaningful productivity increases over the last few decades. We are largely building homes the same way we did 50 years ago.



Without productivity gains, reducing the cost of housing construction will remain elusive. Some estimates suggest that offsite construction could reduce costs by as much as 20%.

The action plan that came out of the Summit called for, among other things: (1) establishing learning opportunities on how to develop housing using modular construction, and (2) having public funders finance some developments using offsite construction as a pilot.

- In the winter of 2021, the Construction Revolution team provided a course on using modular construction, bringing together developers, architects, general contractors, and others from the industry. One of Minnesota Housing's architects participated.

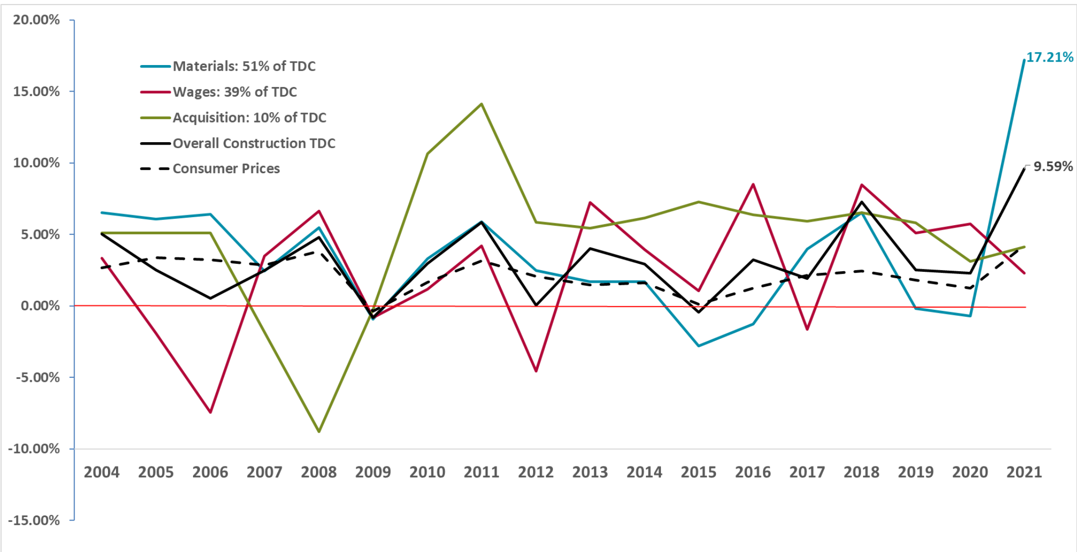
- In our scoring for the 2021 and 2022 consolidated RFPs, we have added a selection preference for developments that use innovative construction techniques (including offsite construction) and have to potential to reduce construction costs by at least 10% and construction time by at least 20%.

Costs for Upcoming Projects

One of the reasons that we now seeing the cost of new rental housing in some parts of the state surpassing $300,000 per unit is the recent increase in construction costs, primarily driven by material costs. Supply chain issues have continued longer than originally expected, significantly driving up costs. Based on data through October, housing developments costs in

2021 now look like they will be nearly 10% higher in 2021 than 2020. Figure 3 shows housing development cost increases by component – material costs, wages for construction labor, and acquisition costs – along with the Consumer Price Index (CPI) for comparison. Since 2003, the CPI has increased on average by about 2% each year, while the cost of residential development has increased by about 3% on average, one percentage point higher. As shown in Figure 4, the 17% increase in material costs has played a key role in the nearly 10% increase in overall development costs in 2021.

Figure 4: Rental Housing Development Inflation 2004 through 2021



SOURCE: Material costs from the Bureau of Labor Statistics' Producer Price Index (PPI) for residential construction inputs; labor wage costs come from the Minnesota Department of Employment and Economic Development's Quarterly Census of Employment and Wages for new multifamily housing construction; and the acquisition costs from the CoStar's property acquisition data.

The developments that Minnesota Housing's Board will select through the 2021 Consolidated RFP will quite likely be constructed and use the awarded funds in 2023. In most cases, these projects will have another 12 to 24 months of construction inflation. The most recent Philadelphia Federal Reserve Bank survey of economic forecasters has CPI increasing by 2.7% in 2022 and 2.4% in 2023, which indicates that these forecasters expect the current high level of inflation to subside soon. Assuming construction inflation continues to be a percentage point higher than CPI increases, development costs would increase by about 3.7% in 2022 and 3.4% in 2023, higher than the typical 3% but not a lot.

For the 2021 Consolidated RFP, we will likely see total development costs per unit for new construction in the Twin Cities metro area in the range of $350,000 per unit, or about 17% higher than the historical costs shown in Figure 1, adjusted to 2021 dollars. Two factors account for the increase:

- As explained, the projects that we select for funding through the 2021 RFP will face another year or two of construction inflation, which may add another 3.7% to 7.1% to the average $300,000 baseline costs in the metro area.

- In addition, the projects shown in Figure 1 largely do not reflect the cost of paying prevailing wages, which the developments that we now finance must pay, for the most part. We estimate that prevailing wages add about 12% to total development costs.

Accounting for the roughly 17% combined increase outlined in the previous two bullets and our 25% buffer to assess cost reasonableness, we are likely to see some projects recommended for funding with costs over $400,000 per unit.

SINGLE FAMILY COSTS

We typically distribute around $10 million for single family development through our Community Homeownership Impact Fund. The level of cost data that we collect is currently less than what we collect and analyze for multifamily developments, but evaluating costs and cost containment are a part of our selection process.

Overview of Single-Family Costs

The total development costs for the single-family projects that we have financed are reasonable and consistent with industry benchmarks. Table 2 shows the median cost per home by location and activity for developments that we have financed over the last eight years.

Table 2: Impact Fund – Median TDC by Location and Project Type
Loans Closed October 1, 2012 through March 17, 2020

Location	New Construction	Acquisition/Rehab/ Resale
Greater Minnesota	$210,195	$195,393
Metro	$367,056	$285,476
Total	**$355,141**	**$280,666**

Excludes projects by Habitat for Humanity and Community Land Trusts

The costs in Table 2 are generally consistent with industry standards. Table 3 shows the RSMeans industry-wide costs for new construction (excluding acquisition and some soft costs) in Minneapolis/Saint Paul for different sized homes. Our costs are in line with these benchmarks.

- The RSMeans construction costs for a 1,600 square-foot, 2-story home with an unfinished basement and average class design is $250,787, which is in the middle of the cost range shown in Table 3 ($177,997 to $321,986).

- Assuming that construction costs account for 75 percent of the TDC and that acquisition and additional soft costs account for the remaining 25 percent, the TDC would be \$334,383. This a smaller and basic home by today's new construction standards (1,600 square feet, one-car garage, and one bathroom). According to the Minneapolis Areas Realtors, the median sale price of newly constructed homes in the 16 counties in and around the Twin Cities is \$430,000.[14]

- The \$367,056 median TDC for new construction financed by Minnesota Housing in the metro area (see Table 2) is relatively consistent with the RSMeans costs, but 10% higher than the \$334,383 benchmark.

Table 3: RSMeans Estimated Construction Costs, 2020 (Excluding Acquisition and Some Soft Costs) In Minneapolis/Saint Paul, Average Class, Wood Siding, Attached One-Car Garage, One Full Bath

	1,000 Sqft	1,400 Sqft	1,600 Sqft	2,000 Sqft
Two Story				
No basement	\$177,997	\$214,098	\$235,702	\$270,865
With unfinished basement	\$189,061	\$227,756	\$250,787	\$288,414
With finished basement	\$206,337	\$252,095	\$278,255	\$321,986

Source: RSMeans, *Residential Cost Data, 2021*

Strategies for Containing and Reducing Single-Family Costs

Since 2015, we have focused on becoming more systematic and objective in our assessment of costs. Table 4 shows the range of costs per home that we have financed for new construction over the last eight years. The benchmark for the 80th percentile is our threshold for flagging developments with a high cost per home. For example, if a new construction project in Minneapolis/Saint Paul proposes a TDC per home that exceeds \$393,413, it will be flagged for additional scrutiny by staff. This is similar to using the threshold of 25 percent above the predictive model for multifamily projects.

As we collect better single-family cost data over a longer period of time, we will start reporting trend data and potentially develop a predictive cost model. This will allow us to create an accurate and formal process for reporting cost outliers to the Board when making selection and funding recommendations. While the current threshold of the 80th percentile has proven valuable for an initial discussion, it has deficiencies. It does not account for cost difference resulting from home sizes, garages, number of bathrooms, varying land costs, and other factors.

Costs are largely driven by land costs and the costs of construction (materials and labor), but other factors such as state-imposed requirements (such as prevailing wage) and unique factors

[14] Minneapolis Area Realtors; data applies to June 2021.

(such as historic rehabilitation) can increase costs. Those factors are reviewed and considered during the selections process.

Table 4: Impact Fund – TDC Benchmarks for New Construction, by Location

	TDC
Greater Minnesota	
Median	$210,195
20th percentile	$174,180
80th percentile	$252,296
Twin Cities Metro	
Median	$367,056
20th percentile	$343,046
80th percentile	$393,413
Total	
Median	$355,141
20th percentile	$236,927
80th percentile	$387,993

Excludes projects by Habitat for Humanity and Community Land Trusts

CONCLUSION

For a decade and a half, we have worked to contain upfront development costs while adding new policy initiatives that can increase costs. Given the shortage of affordable housing, limited resources, and the need to do more, cost containment will remain a critical issue. Since many of the cost drivers are outside the direct control of the agency and driven by other stakeholders, we will continue to pursue multiple strategies in the affordable housing development process.

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MINNESOTA HOUSING

Board Agenda Item: 8.B
Date: 12/16/2021

Item: 1st Quarter FY 2022 Financial Reporting Package

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us
Debbi Larson, 651.296.8183, debbi.larson@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:
Staff will review 1st quarter financial results

Fiscal Impact:
None.

Meeting Agency Priorities:
- ☐ Improve the Housing System
- ☐ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):
- Noteworthy Items
- Financial Dashboard
- Selected Financial Statements – 1st quarter FY 2022

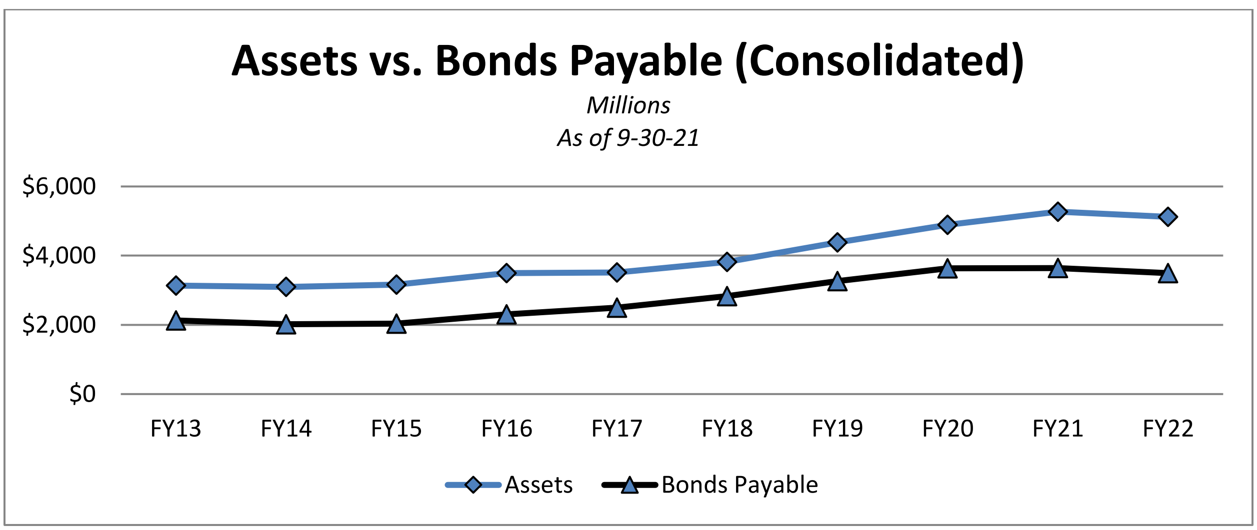
Minnesota Housing Finance Agency
FY 2022 1st Quarter Financial Results
Noteworthy Items

Balance Sheet

At the consolidated level, total assets are down from prior quarter and for the comparative quarter in FY21. The decrease in cash assets can be attributed to the distribution of cash for the federal COVID emergency assistance programs. In terms of the MBS portfolio, while new homeownership mortgage production was robust, early prepayments driven by the low interest rates continue to outpace new origination, such that the overall MBS portfolio declined modestly from a year ago. Overall, non-securitized loan assets remained fairly steady, as the pace of new production generally offsets loan prepayments and maturities. In addition, loans closed in the last year carry lower interest rates than those originated previously.

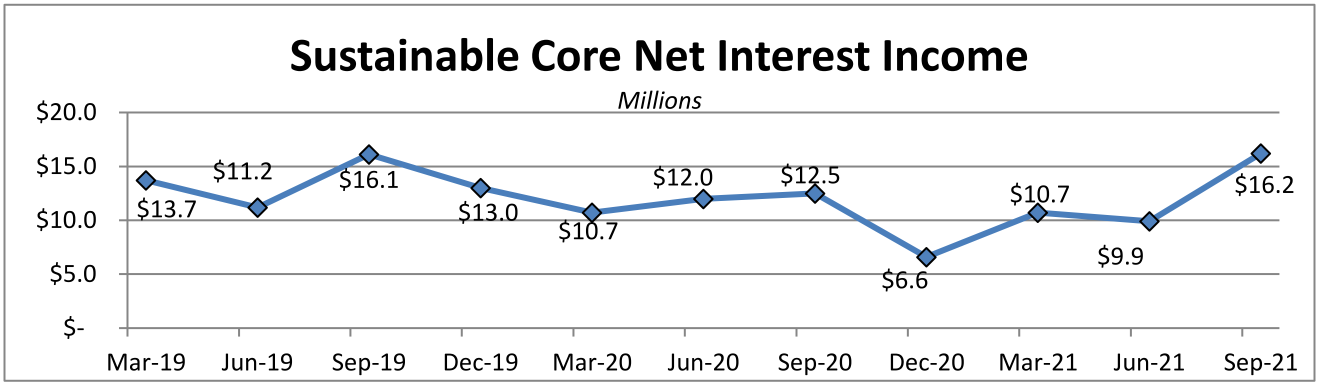
In conjunction with the drop in the MBS portfolio, the bonds payable liability in the Sustainable Core (therefore excluding Housing Infrastructure Bonds), decreased by $283 million from one year ago, much of which is attributed to MBS prepayments being used to redeem bonds.

The cash from the federal programs was the main driver to a year over year increase of over $236 million in net position at the consolidated level. Meanwhile, net position in the sustainable Core dropped modestly ($8 million) from one year ago.

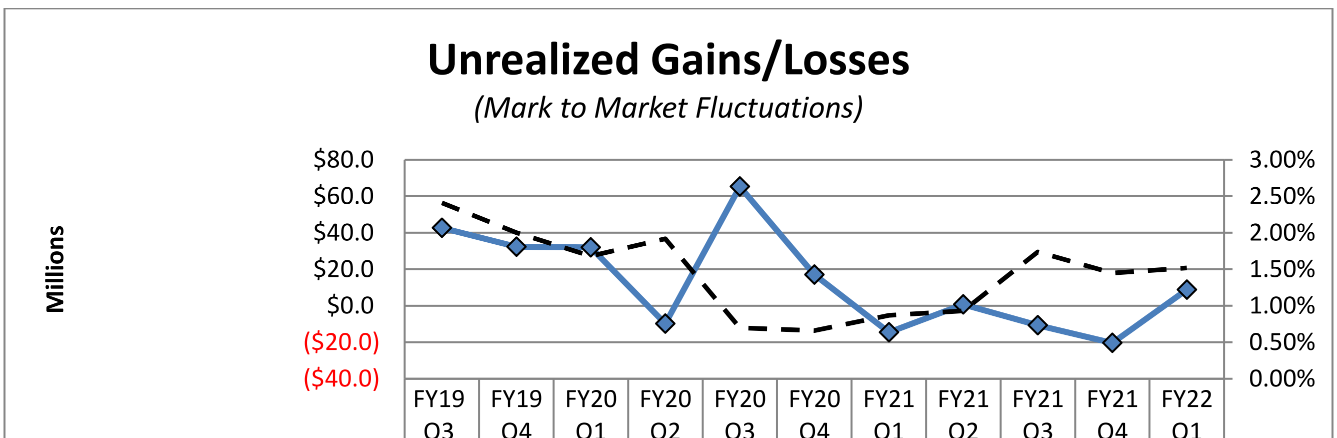


<u>Operating Results</u>

In the Sustainable Core, Q1 FY22 net interest income was $16.2 million, up from the prior quarter, the first quarter in FY21.



The year-over-year increase for the Agency is directly attributed to an unrealized gain in the first quarter FY22, compared to an unrealized loss in the first quarter FY21.



	FY19 Q3	FY19 Q4	FY20 Q1	FY20 Q2	FY20 Q3	FY20 Q4	FY21 Q1	FY21 Q2	FY21 Q3	FY21 Q4	FY22 Q1
Unrealized Gains/Losses	$42.6	$32.4	$31.9	($9.8)	$65.3	$17.0	($14.5)	$0.7	($10.7)	($20.4)	$8.8
Treasury Rate	2.41%	2.00%	1.68%	1.92%	0.70%	0.66%	0.87%	0.93%	1.74%	1.45%	1.52%

BALANCE SHEET*
Quarterly Financial Dashboard - Selected Reporting
As of September 30, 2021 - ($ million)

	Quarter End	Prior Quarter End	Change from Prior Quarter	Year Ago	Change From Year Ago
CONSOLIDATED					
Total Assets	**5,123.6**	**5,271.2**	**(147.6)**	**5,196.6**	**(73.0)**
Program Securities	2,951.6	2,810.6	141.0	3,038.9	(87.3)
Loans, net	941.9	929.1	12.8	962.4	(20.5)
Other investments and cash	1,208.8	1,510.2	(301.4)	1,172.3	36.5
Total Liabilities	**3,809.6**	**3,964.9**	**(155.3)**	**4,131.5**	**(321.9)**
Net Position					
restricted by Resolution	496.3	486.0	10.3	526.7	(30.4)
restricted by Covenant	520.7	513.4	7.3	498.1	22.6
restricted by Law	540.3	562.3	(22.0)	304.2	236.1
unrestricted - State Appr-Backed Debt	(271.0)	(280.8)	9.8	(280.8)	9.8
other	1.9	2.1	(0.2)	3.5	(1.6)
Total Net Position	**1,288.2**	**1,283.0**	**5.2**	**1,051.7**	**236.5**
CONSOLIDATED EXCLUDING APPROPRIATED					
Total Assets	**4,463.6**	**4,593.2**	**(129.6)**	**4,735.1**	**(271.5)**
Net Position	**1,019.0**	**1,001.5**	**17.5**	**1,028.3**	**(9.3)**
SUSTAINABLE CORE					
Total Assets	**4,337.8**	**4,468.2**	**(130.4)**	**4,603.5**	**(265.7)**
Program Securities	2,951.6	2,810.6	141.0	3,038.9	(87.3)
Loans, net	791.9	785.0	6.9	821.7	(29.8)
Other investments & cash	573.3	851.9	(278.6)	720.0	(146.7)
Total Liabilities	**3,423.9**	**3,576.3**	**(152.4)**	**3,693.4**	**(269.5)**
Bonds payable, net	3,223.3	3,360.4	(137.1)	3,505.8	(282.5)
Net Position	**888.2**	**868.7**	**19.5**	**896.7**	**(8.5)**

* Assets and liabilities do not include deferred inflows/outflows

STATEMENT OF OPERATIONS
Quarterly Financial Dashboard - Selected Reporting
As of September 30, 2021 - ($ million)

	This Quarter	Prior Quarter	Change from Prior Quarter	FYTD	Last Year FYTD	Change
CONSOLIDATED						
Revenues	177.4	215.1	(37.7)	177.4	247.1	(69.7)
Expenses	181.8	156.9	24.9	181.8	121.1	60.7
Net	**(4.4)**	**58.2**	**(62.6)**	**(4.4)**	**126.0**	**(130.4)**
SUSTAINABLE CORE						
Interest revenue	30.3	29.9	0.4	30.3	32.1	(1.8)
Other revenue	14.6	14.8	(0.2)	14.6	16.1	(1.5)
Unrealized gain (loss)	8.8	(20.4)	29.2	8.8	(14.5)	23.3
TOTAL REVENUE	**53.7**	**24.3**	**29.4**	**53.7**	**33.7**	**20.0**
Interest Expense	14.1	20.0	(5.9)	14.1	19.6	(5.5)
Operating Expenses(1)	7.9	12.9	(5.0)	7.9	8.3	(0.4)
Other Expenses	12.3	10.5	1.8	12.3	14.4	(2.1)
TOTAL EXPENSE	**34.3**	**43.4**	**(9.1)**	**34.3**	**42.3**	**(8.0)**
Revenue over Expense	**19.4**	**(19.1)**	**38.5**	**19.4**	**(8.6)**	**28.0**
Net Interest Income	**16.2**	**9.9**	**6.3**	**16.2**	**12.5**	**3.7**
Annualized Net Interest Margin(2)	*1.47%*	*0.89%*		*1.47%*	*1.09%*	

(1) Salaries, benefits and other general operating; includes YE Pension Adj
(2)Annualized Net Interest Income/Average assets for period

Minnesota Housing Finance Agency
Fund Financial Statements
Statement of Net Position (in thousands) - UNAUDITED
Proprietary Funds
As of September 30, 2021 (with comparative totals as of September 30, 2020)

			Bond Funds				Appropriated Funds			
	General Reserve	Rental Housing	Residential Housing Finance	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES[SM]	State Appropriated	Federal Appropriated	Total as of September 30, 2021	Total as of September 30, 2020
Assets										
Cash and cash equivalents	112,035	$ 31,674	$ 214,278	$ 66,474	$ 1,728	$ -	$ 262,497	$ 354,926	$ 1,043,612	$ 996,760
Investments-program mortgage-backed securities	-	-	1,641,021	1,310,576	-	-	-	-	2,951,597	3,038,902
Investment securities-other	-	21,886	136,268	-	-	7,024	-	-	165,178	175,500
Loans receivable, net	-	162,950	723,334	-	13,287	-	42,346	-	941,917	962,369
Interest receivable on loans and program mortgage-backed securities	-	605	7,780	3,748	49	-	15	-	12,197	12,902
Interest receivable on investments	27	68	458	-	-	17	45	-	615	584
Interest rate swap agreements	-	-	-	-	-	-	-	-	-	-
FHA/VA insurance claims, net	-	-	226	-	-	-	-	-	226	245
Real estate owned, net	-	-	975	-	-	-	-	-	975	1,025
Capital assets, net	1,937	-	-	-	-	-	-	-	1,937	3,510
Other assets	4,280	3	865	22	-	-	-	218	5,388	4,811
Total assets	118,279	217,186	2,725,205	1,380,820	15,064	7,041	304,903	355,144	5,123,642	5,196,608
Deferred Outflows of Resources										
Deferred loss on refunding	-	-	2	-	-	-	-	-	2	13
Deferred loss on interest rate swap agreements	-	-	11,573	-	-	-	-	-	11,573	23,185
Deferred pension expense	2,434	-	-	-	-	-	-	-	2,434	14,211
Total deferred outflows of resources	2,434	-	11,575	-	-	-	-	-	14,009	37,409
Total assets and deferred outflows of resources	$ 120,713	$ 217,186	$ 2,736,780	$ 1,380,820	$ 15,064	$ 7,041	$ 304,903	$ 355,144	$ 5,137,651	$ 5,234,017
Liabilities										
Bonds payable, net	$ -	$ 46,785	$ 1,896,423	$ 1,260,557	$ 12,940	$ 6,621	$ 271,070	$ -	$ 3,494,396	$ 3,786,573
Interest payable	-	100	11,507	2,833	32	17	-	-	14,489	16,975
Interest rate swap agreements	-	-	11,573	-	-	-	-	-	11,573	23,185
Net pension liability	10,189	-	-	-	-	-	-	-	10,189	10,412
Accounts payable and other liabilities	5,518	18,764	61,578	60	-	-	22	30,464	116,406	62,229
Interfund payable (receivable)	2,390	(13)	(2,781)	6	-	-	129	269	-	-
Funds held for others	73,363	-	-	-	-	403	88,817	5	162,588	232,108
Total liabilities	91,460	65,636	1,978,300	1,263,456	12,972	7,041	360,038	30,738	3,809,641	4,131,482
Deferred Inflows of Resources										
Deferred gain on interest rate swap agreements	-	-	-	-	-	-	-	-	-	-
Deferred revenue-service release fee	-	-	12,713	7,718	-	-	-	-	20,431	21,128
Deferred pension credit	19,329	-	-	-	-	-	-	-	19,329	29,734
Total deferred inflows of resources	19,329	-	12,713	7,718	-	-	-	-	39,760	50,862
Total liabilities and deferred inflows of resources	$ 110,789	$ 65,636	$ 1,991,013	$ 1,271,174	$ 12,972	$ 7,041	$ 360,038	$ 30,738	$ 3,849,401	$ 4,182,344
Commitments and contingencies										
Net Position										
Restricted by bond resolution	-	151,550	233,035	109,646	2,092	-	-	-	496,323	526,683
Restricted by covenant	7,987	-	512,732	-	-	-	-	-	520,719	498,063
Restricted by law	-	-	-	-	-	-	215,935	324,406	540,341	304,177
Unrestricted by State Appropriation-backed Debt	-	-	-	-	-	-	(271,070)	-	(271,070)	(280,760)
Invested in capital assets	1,937	-	-	-	-	-	-	-	1,937	3,510
Total net position	9,924	151,550	745,767	109,646	2,092	-	(55,135)	324,406	1,288,250	1,051,673
Total liabilities, deferred inflows of resources, and net position	$ 120,713	$ 217,186	$ 2,736,780	$ 1,380,820	$ 15,064	$ 7,041	$ 304,903	$ 355,144	$ 5,137,651	$ 5,234,017
	-	-	-	-	-	-	-	-	-	-

This information on the funds of the Agency for the three-month period ended September 30, 2021 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the three-month period ended September 30, 2021 , subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2021 and for the fiscal year then ended.

See accompanying notes to financial statements.

Minnesota Housing Finance Agency
Fund Financial Statements - UNAUDITED
Statement of Revenues, Expenses and Changes in Net Position (in thousands)
Proprietary Funds
Three Months Ended September 30, 2021 (with comparative totals for Three Months Ended September 30, 2020)

			Bond Funds				Appropriated Funds			
	General Reserve	Rental Housing	Residential Housing Finance	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES℠	State Appropriated	Federal Appropriated	Total for the Three Months Ended September 30, 2021	Total for the Three Months Ended September 30, 2020
Revenues										
Interest earned on loans	$ -	$ 1,778	$ 7,037	$ -	$ 146	$ -	$ 364	$ -	$ 9,325	$ 10,570
Interest earned on investments-program mortgage-backed securities	-	-	9,988	9,315	-	-	-	-	19,303	20,476
Interest earned on investments-other	26	294	1,769	1	-	53	131	70	2,344	1,900
Net G/L on Sale of MBS Held for Sale/HOMES℠ Certificates	-	-	2,939	-	-	-	-	-	2,939	3,642
Appropriations received	-	-	-	-	-	-	67,878	55,058	122,936	212,293
Administrative reimbursement	7,614	-		-	-	-	-	-	7,614	8,579
Fees earned and other income	2,758	10	936	385	-	-	30	-	4,119	4,210
Unrealized gains (losses) on investments	-	(379)	9,535	(373)	-	-	-	-	8,783	(14,555)
Total revenues	10,398	1,703	32,204	9,328	146	53	68,403	55,128	177,363	247,115
Expenses										
Interest	-	194	5,202	8,546	97	53	-	-	14,092	19,629
Financing, net	-	-	3,276	1,501	-	-	-	-	4,777	3,381
Loan administration and trustee fees	-	21	649	124	1	-	27	-	822	907
Administrative reimbursement	-	336	4,595	2,162	23	-	131	-	7,247	8,441
Salaries and benefits	7,947	-	-	-	-	-	-	-	7,947	7,642
Other general operating	(291)	1	531	12	-	-	254	-	507	1,764
Appropriations disbursed	-	-	-	-	-	-	7,281	132,633	139,914	75,918
Reduction in carrying value of certain low interest	-	-	-	-	-	-	-	-	-	-
rate deferred loans	-	-	1,692	-	-	-	4,976	-	6,668	826
Provision for loan losses	-	57	(336)	-	-	-	152	-	(127)	2,601
Total expenses	7,656	609	15,609	12,345	121	53	12,821	132,633	181,847	121,109
Revenues over (under) expenses	2,742	1,094	16,595	(3,017)	25	-	55,582	(77,505)	(4,484)	126,006
Other changes										
Non-operating transfer of assets between funds & Adj.	(2,869)	14	(1,248)	4,103	-		9,690	-	9,690	(100,915)
Change in net position	(127)	1,108	15,347	1,086	25	-	65,272	(77,505)	5,206	25,091
Net Position										
Total net position, beginning of period	10,051	150,442	730,420	108,560	2,067	-	(120,407)	401,911	1,283,044	1,026,582
Total net position, end of period	$ 9,924	$ 151,550	$745,767	$ 109,646	$ 2,092	$ -	$ (55,135)	$ 324,406	$ 1,288,250	$ 1,051,673

This information on the funds of the Agency for the three-month period ended September 30, 2021 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the three-month period ended September 30, 2021, subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2021 and for the fiscal year then ended.

Total net position, beginning of period adjusted to GASB 68.

See accompanying notes to financial statements.

Minnesota Housing Finance Agency
Supplementary Information(Unaudited)
Statement of Net Position (in thousands)
General Reserve & Bond Funds
As of September 30, 2021 (with comparative totals for September 30, 2020)

	General Reserve	Bond Funds: Rental Housing	Bond Funds: Residential Housing Finance Bonds	Bond Funds: Residential Housing Finance Pool 2	Bond Funds: Homeownership Finance Bonds	Bond Funds: Multifamily Housing Bonds	Bond Funds: HOMES[SM]	General Reserve & Bond Funds Excluding Pool 3 Total As Of September 30, 2021	General Reserve & Bond Funds Excluding Pool 3 Total As Of September 30, 2020	Residential Housing Finance Pool 3 Total As Of September 30, 2021	General Reserve & Bond Funds Total As Of September 30, 2021	General Reserve & Bond Funds Total As Of September 30, 2020
Assets												
Cash and cash equivalents	$ 112,035	$ 31,674	182,350	$ 23,364	$ 66,474	$ 1,728	$ -	$ 417,625	$ 566,951	$ 8,564	$ 426,189	$ 576,444
Investments-program mortgage-backed securities	-	-	1,641,021	-	1,310,576	-	-	2,951,597	3,038,902	-	2,951,597	3,038,902
Investment securities-other	-	21,886	7,952	118,861	-	-	7,024	155,723	153,145	9,455	165,178	175,500
Loans receivable, net	-	162,950	247,282	368,346	-	13,287	-	791,865	821,710	107,706	899,571	921,362
Interest receivable on loans and program mortgage-backed securities	-	605	6,205	1,539	3,748	49	-	12,146	12,840	36	12,182	12,888
Interest receivable on investments	27	68	47	403	-	-	17	562	498	8	570	507
Interest rate swap agreements	-	-	-	-	-	-	-	-	-	-	-	-
FHA/VA insurance claims, net	-	-	226	-	-	-	-	226	245	-	226	245
Real estate owned, net	-	-	654	321	-	-	-	975	1,025	-	975	1,025
Capital assets, net	1,937	-	-	-	-	-	-	1,937	3,510	-	1,937	3,510
Other assets	4,280	3	33	795	22	-	-	5,133	4,686	37	5,170	4,687
Total assets	118,279	217,186	2,085,770	513,629	1,380,820	15,064	7,041	4,337,789	4,603,512	125,806	4,463,595	4,735,070
Deferred Outflows of Resources												
Deferred loss on refunding	-	-	2	-	-	-	-	2	13	-	2	13
Deferred loss on interest rate swap agreements	-	-	11,573	-	-	-	-	11,573	23,185	-	11,573	23,185
Deferred pension expense	2,434	-	-	-	-	-	-	2,434	14,211	-	2,434	14,211
Total deferred outflows of resources	2,434	-	11,575	-	-	-	-	14,009	37,409	-	14,009	37,409
Total assets and deferred outflows of resources	$ 120,713	$ 217,186	$ 2,097,345	$ 513,629	$ 1,380,820	$ 15,064	$ 7,041	$ 4,351,798	$ 4,640,921	$ 125,806	$ 4,477,604	$ 4,772,479
Liabilities												
Bonds payable, net	$ -	$ 46,785	$ 1,866,421	$ 30,002	$ 1,260,557	$ 12,940	$ 6,621	$ 3,223,326	$ 3,505,813	$ -	$ 3,223,326	$ 3,505,813
Interest payable	-	100	11,500	7	2,833	32	17	14,489	16,975	-	14,489	16,975
Interest rate swap agreements	-	-	11,573	-	-	-	-	11,573	23,185	-	11,573	23,185
Net pension liability	10,189	-	-	-	-	-	-	10,189	10,412	-	10,189	10,412
Accounts payable and other liabilities	5,518	18,764	409	61,168	60	-	-	85,919	62,219	1	85,920	62,220
Interfund payable (receivable)	2,390	(13)	(35,000)	37,216	6	-	-	4,599	(363)	(4,997)	(398)	(363)
Funds held for others	73,363	-	-	-	-	-	403	73,766	75,119	-	73,766	75,119
Total liabilities	91,460	65,636	1,854,903	128,393	1,263,456	12,972	7,041	3,423,861	3,693,360	(4,996)	3,418,865	3,693,361
Deferred Inflows of Resources												
Deferred gain on interest rate swap agreements	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue-service release fee	-	-	9,407	3,306	7,718	-	-	20,431	21,128	-	20,431	21,128
Deferred pension credit	19,329	-	-	-	-	-	-	19,329	29,734	-	19,329	29,734
Total deferred inflows of resources	19,329	-	9,407	3,306	7,718	-	-	39,760	50,862	-	39,760	50,862
Total liabilities and deferred inflows of resources	$ 110,789	$ 65,636	$ 1,864,310	$ 131,699	$ 1,271,174	$ 12,972	$ 7,041	$ 3,463,621	$ 3,744,222	$ (4,996)	$ 3,458,625	$ 3,744,223
Commitments and contingencies												
Net Position												
Restricted by bond resolution	-	151,550	233,035	-	109,646	2,092	-	496,323	526,683	-	496,323	526,683
Restricted by covenant	7,987	-	-	381,930	-	-	-	389,917	366,506	130,802	520,719	498,063
Restricted by law	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted by State Appropriation-backed Debt	-	-	-	-	-	-	-	-	-	-	-	-
Invested in capital assets	1,937	-	-	-	-	-	-	1,937	3,510	-	1,937	3,510
Total net position	9,924	151,550	233,035	381,930	109,646	2,092	-	888,177	896,699	130,802	1,018,979	1,028,256
Total liabilities, deferred inflows, and net position	$ 120,713	$ 217,186	$ 2,097,345	$ 513,629	$ 1,380,820	$ 15,064	$ 7,041	$ 4,351,798	$ 4,640,921	$ 125,806	$ 4,477,604	$ 4,772,479
	-	-	-	-	-	-	-	-	-	-	-	-

This information on the funds of the Agency for the three-month period ended September 30, 2021 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the three-month period ended September 30, 2021, subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2021 and for the fiscal year then ended. -

See accompanying notes to financial statements.

Minnesota Housing Finance Agency
Supplementary Information (Unaudited)
Statement of Revenues, Expenses and Changes in Net Position (in thousands)
General Reserve & Bond Funds
Three Months Ended September 30, 2021 (with comparative totals for the three months ended September 30, 2020)

	General Reserve	Bond Funds: Rental Housing	Bond Funds: Residential Housing Finance Bonds	Bond Funds: Residential Housing Finance Pool 2	Bond Funds: Homeownership Finance Bonds	Bond Funds: Multifamily Housing Bonds	Bond Funds: HOMES[SM]	General Reserve & Bond Funds Excluding Pool 3 Total for Three Months Ended September 30, 2021	General Reserve & Bond Funds Excluding Pool 3 Total for Three Months Ended September 30, 2020	Residential Housing Finance Pool 3 Total for Three Months Ended September 30, 2021	General Reserve & Bond Funds Total for Three Months Ended September 30, 2021	General Reserve & Bond Funds Total for Three Months Ended September 30, 2020
Revenues												
Interest earned on loans	$ -	1,778	$ 3,185	$ 3,749	$ -	$ 146	$ -	$ 8,858	$ 10,131	$ 103	8,961	$ 10,209
Interest earned on investments-program mortgage-backed securities	-	-	9,988	-	9,315	-	-	19,303	20,476	-	19,303	20,476
Interest earned on investments-other	26	294	100	1,652	1	-	53	2,126	1,528	17	2,143	1,634
Net G/L on Sale of MBS Held for Sale/HOMES℠ Certificate	-	-	-	2,939	-	-	-	2,939	3,642	-	2,939	3,642
Appropriations received	-	-	-	-	-	-	-	-	-	-	-	-
Administrative reimbursement	7,614	-	-	-	-	-	-	7,614	8,579	-	7,614	8,579
Fees earned and other income	2,758	10	426	510	385	-	-	4,089	3,839	-	4,089	3,850
Unrealized gains (losses) on Investments	-	(379)	2,529	7,022	(373)	-	-	8,799	(14,469)	(16)	8,783	(14,555)
Total revenues	10,398	1,703	16,228	15,872	9,328	146	53	53,728	33,726	104	53,832	33,835
Expenses												
Interest	-	194	4,990	212	8,546	97	53	14,092	19,629		14,092	19,629
Financing, net	-	-	3,273	3	1,501	-	-	4,777	3,381		4,777	3,381
Loan administration and trustee fees	-	21	355	288	124	1	-	789	875	6	795	881
Administrative reimbursement	-	336	2,918	1,289	2,162	23	-	6,728	7,823	388	7,116	8,198
Salaries and benefits	7,947	-	-	-	-	-	-	7,947	7,642		7,947	7,642
Other general operating	(291)	1	16	228	12	-	-	(34)	791	287	253	846
Appropriations disbursed	-	-	-	-	-	-	-	-	-		-	-
Reduction in carrying value of certain low interest	-	-	-	-	-	-	-	-	-		-	-
rate deferred loans	-	-	271	(2)	-	-	-	269	(46)	1,423	1,692	991
Provision for loan losses	-	57	(236)	(108)	-	-	-	(287)	2,268	8	(279)	2,353
Total expenses	7,656	609	11,587	1,910	12,345	121	53	34,281	42,363	2,112	36,393	43,921
	2,742	1,094	4,641	13,962	(3,017)	25	-	19,447	(8,637)	(2,008)	17,439	(10,086)
Other changes												
Non-operating transfer of assets between funds	(2,869)	14	3,483	(4,731)	4,103	-	-	-	(8,000)	-	-	-
Change in net position	(127)	1,108	8,124	9,231	1,086	25	-	19,447	(16,637)	(2,008)	17,439	(10,086)
Net Position												
Total net position, beginning of period	10,051	150,442	224,911	372,699	108,560	2,067	-	868,730	913,336	132,810	1,001,540	1,038,342
Total net position, end of period	$ 9,924	$ 151,550	$ 233,035	$ 381,930	$ 109,646	$ 2,092	$ -	$ 888,177	$ 896,699	$ 130,802	$ 1,018,979	$ 1,028,256

This information on the funds of the Agency for the three-month period ended September 30, 2021 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the three-month period ended September 30, 2021 subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2021 and for the fiscal year then ended.

See accompanying notes to financial statements.

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MINNESOTA HOUSING

Board Agenda Item: 8.C
Date: 12/16/2021

Item: Federal Legislative Outlook - Build Back Better Act

Staff Contact(s):
Jessica Deegan, 651.297.3120, Jessica.deegan@state.mn.us
Ryan Baumtrog, 651.296.9820, Ryan.baumtrog@state.mn.us

Request Type:

☐ Approval
  ☐ Motion
  ☐ Resolution

☒ No Action Needed
  ☒ Discussion
  ☐ Information

Summary of Request:
The U.S. House of Representatives passed the Build Back Better Act in November and the Act will likely be up for Senate action soon. The Act includes significant affordable housing resources and provisions that would impact Minnesota Housing should it pass.

Fiscal Impact:
No impact at this time.

Meeting Agency Priorities:
- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☒ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):
- Background

Background

The Build Back Better Act is a roughly $2 trillion measure that includes social policy, climate, and tax provisions. The following is a summary of housing provisions that could directly or indirectly impact the agency, should it pass.

The Act passed the U.S. House of Representatives on November 19, 2021 and is currently expected to be up for Senate action soon. The Act is moving under budget reconciliation rules, which allow the bill to pass with a simple majority of 51 votes. Under this process the Senate Parliamentarian must evaluate provisions against the Byrd Rule, which prohibits Senators from circumventing the filibuster rules. We anticipate this budget reconciliation process in the Senate will impact the bill as passed by the House.

On a related note, on November 15 President Biden signed the Infrastructure Investment and Jobs Act. This act did not include housing development resources.

Provisions Potentially Impacting Minnesota Housing

Program	Proposed National Funding	Notes
HOME Investment Partnerships	$10 billion	Available through fiscal year 2026. Bill provides broad waiver authority to the HUD secretary.
National Housing Trust Fund	$15 billion	Because of the way the bill is crafted, certain HOME program requirements, such as Davis-Bacon requirements and HOME's environmental review requirements, would apply to these funds.
First-Generation Downpayment Assistance	$10 billion *(New Program)*	Of the total, $6.825 billion would go to states and $2.275 billion would be awarded competitively to Community Development Financial Institutions and other entities, with that funding available through 2026.
Low Income Housing Tax Credit (LIHTC)	Cap increase of 10 percent plus inflation each year for three years from 2022 to 2024.	Additional provisions: reduction of bond financing threshold from 50 percent to 25 percent for 2022 to 2026; provides basis boost and set aside for extremely low income properties; closes qualified contract loophole.
Neighborhood Homes Credit	Tax program similar to LIHTC *(New Program)*	The bill would establish the Neighborhood Homes Credit to promote new construction or substantial rehabilitation of affordable, owner-occupied housing located in distressed neighborhoods. The program would sunset in 2025.

Other Affordable Housing Provisions[1]

[1] Source, https://www.ncsha.org/blog/house-releases-new-bill-text-for-build-back-better-act-adds-back-housing-credit-provisions/, retrieved 12/7/2021

- $65 billion for Public Housing revitalization
- $24 billion for Housing Choice Vouchers
- $5 billion for lead-based paint hazard control
- $3.05 billion for the Community Development Block Grant for affordable housing infrastructure activities
- $3 billion for a new Community Restoration and Revitalization Fund
- $2 billion for energy and water efficiency and climate resilience for Section 811, Section 202, and Section 8 properties
- $2 billion for rural rental housing
- $1.75 billion for a new initiative called the Unlocking Possibilities Program that will provide grants to communities for housing planning activities, including streamlining regulatory requirements, reforming zoning codes
- $1.6 billion for revitalization of distressed multifamily housing properties
- $1 billion for project-based rental assistance
- $1 billion for investments in Native American communities
- $800 million for fair housing
- $750 million for the Housing Investment Fund (Capital Magnet Fund)
- $500 million for Section 811 Housing for Persons with Disabilities
- $500 million for Section 202 Housing for the Elderly
- $100 million for a HUD-insured small-dollar mortgage demonstration program
- $100 million for investments in rural homeownership
- $100 million for capacity building
- A requirement that the Federal Home Loan Bank (FHLB) contribute 15 percent of the preceding year's net income of the Federal Home Bank (not less than $100 million) to the FHLB Affordable Housing Program from 2022 through 2027
- Forgiveness of the National Flood Insurance Program's accumulated debt

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MINNESOTA HOUSING

Board Agenda Item: 9.A
Date: 12/16/2021

Item: Post-Sale Report, Homeownership Finance Bonds (HFB) 2021 Series D

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

Request Type:

☐ Approval
  ☐ Motion
  ☐ Resolution

☒ No Action Needed
  ☐ Discussion
  ☒ Information

Summary of Request:
The Agency sold $50,768,060 of Homeownership Finance Bonds on November 9, 2021 with a closing on November 23, 2021. In accordance with the Debt and Balance Sheet Management Policy the attached detailed post-sale report is provided by the Agency's financial advisor, CSG Advisors.

Fiscal Impact:
None.

Meeting Agency Priorities:
- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):
- Post-Sale Report

CSG | advisors

Via Email Delivery

MEMORANDUM

Date: **November 23, 2021**

To: **Minnesota Housing Finance Agency**

From: **Gene Slater, Tim Rittenhouse, David Jones, Eric Olson**

Re: **Post-Sale Report**
$50,768,060 Homeownership Finance Bonds (HFB)
2021 Series D (Non-AMT)

KEY RESULTS FOR MINNESOTA HOUSING

Purpose. 2021 Series D Homeownership Finance Bonds enabled Minnesota Housing to profitably finance new Start-Up loans to first time homebuyers on the balance sheet and earn net annual income over future years.

Key Measurable Objectives and Accomplishments.

Objective	***Result***
Finance new production on balance sheet	$50.8 million of new first mortgage loans in MBS securities
Leverage private activity bond volume cap	The issue used $3.8 million of carryforward volume cap, while recycling $47 million of authority from past bond issues
Obtain full spread on the overall transaction	Agency earns approx. 1.12% spread after utilizing $1.8 million of zero participations
Achieve cost-effective funding	The bond rate was 2.05%
Create future income streams that will supportPool 3	The expected net present value to Minnesota Housing is approx. $1.5 million at 150% PSA prepayment speed, after taking into account net service release premiums and hedge losses
Maintain high bond ratings	HFB bonds are rated AAA

TIMING AND STRUCTURE

Timing. The bonds were priced on Tuesday, November 9, for closing on Tuesday, November 23.

Major Design Decision. Minnesota Housing chose a tax-exempt HFB pass-through issue since a taxable issue would have earned well below full spread. Minnesota Housing has long been the national leader in using taxable pass-through bonds to earn full spread or greater without needing any volume cap. When that was not possible in the current rate environment, Minnesota Housing turned, as it has several times, to tax-exempt pass-through bonds. Such bonds can be used with zero participations from past tax-exempt issuances to assure Minnesota Housing receives full spread. It still has $70 million of such participations.

BOND SALE RESULTS. Key highlights are:

1. ***Investor Interest.*** The underwriters were able to obtain 4 orders that together fully subscribed for the issue. The orders totaled $79.8 million but several of these were for all the bonds in order to help the buyer assure a minimum allotment.

2. ***Treasury Yields.*** The yields on Treasuries, after reaching record lows in 2020 during the early stages of the pandemic, with aggressive Federal Reserve actions, have increased in 2021. Inflation worries, higher consumer prices, passage of the $1 trillion infrastructure bill and prospects for a proposed spending resolution with $2+ trillion more spending have led the Federal Reserve to announce that it will begin tapering its purchases of Treasury bonds and mortgage-backed securities. The 10-year yield, that was 1.15% when Series A was priced in February, rose to 1.69% when Series B was priced in May. With fears of an economic slowdown due to the Delta variant, the 10-year dropped to 1.36% when Series C was priced in August. Growing concerns about inflation drove yields up this fall, to as high as 1.68% in late October. Series D’s timing was advantageous: yields dropped on the day of pricing, with the President interviewing a potential Fed Reserve chair with relatively dovish views on inflation, then rose again the next day.

Issue	Date	10-Year Treasury	10-Year MMD	10 Year MMD as % of Treasury
2020 HFB A	3/9/20	0.54%	0.78%	69.2%
2020 HFB BC	5/13/20	0.64%	1.09%	170.3%
2020 HFB D	8/6/20	0.55%	0.59%	107.3%
2020 HFB E	11/9/20	0.96%	0.86%	89.6%
2021 HFB A	2/10/21	1.15%	0.69%	60.0%
2021 HFB B	5/12/21	1.69%	1.02%	60.4%
2021 HFB C	**8/10/21**	**1.36%**	**0.88%**	**64.7%**
2021 HFB D	**11/9/21**	**1.46%**	**1.08%**	**74.0%**
Change from 2021 HFB C		**+10 bp**	**+20 bp**	**9.3%**

3. ***Municipal Bond Yields.*** After the early months of the pandemic, when investors fled to the security of Treasuries, there have been continuous inflows to municipal bond funds, and municipal have generally outperformed Treasuries. The 10-year MMD was 74% of the 10-year Treasury on the date of pricing, which is historically a relatively low level. The absolute level was 1.08%.
4. ***Comparison to GNMA Yields.*** Investors compare yields on pass-through issues to current-coupon GNMAs. Pass-through bonds provide much less liquidity in the global markets but are typically sold at par, so investors are less exposed to prepayment risk. Series D was tax-exempt, unlike Minnesota's other recent pass-through issues.

Recent Minnesota Pass-Through Transactions

	2020 A Mar. 20	2020 C May 13	2020 D Aug. 6	2020 E Nov. 9	2021 A Feb. 10	2021 B May 12	2021 C Aug. 10	2021 D Nov. 9
Mortgage-backed securities being financed	100% New	100% New	100% New	100% New	100% New	60% New 40% Old	100% New	100% New
Tax Status	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable	Non-AMT
Minn. Housing bond yield	2.365%	2.45%	1.92%	1.68%	1.58%	1.93%	2.05%	2.05%
Yield on GNMA I, 3.0 current coupon, at dealer prepay speed	2.07%	1.84%	1.48%	1.74%	1.47%	1.76%	1.68%	1.92%
Minn. Housing v. GNMA	+29.5 bp	+61 bp	+44 bp	-6 bp	+11 bp	+17 bp	+37 bp	+13 bp

5. ***Comparable Pass-Through Transactions:*** There has not been a tax-exempt pass-through transaction since Minnesota's 2020 Series B in May of 2020. All other transactions since were taxable, until this issue. While it is difficult to directly compare spreads on tax-exempt and taxable issues, the spread to the GNMA yield was 24 basis points tighter on this tax-exempt issue than on taxable Series C.

State HFA Pass-Through Transactions with New Production

	MN 2020 D	MO 2020 E	MN 2020 E	MN 2021 A	CO 2021 F	MN 2021 B	CO 2021 J	VA 2021 A	MN 2021 C	MN 2021 D
Tax Status	Tax	Tax	Tax	Tax	Tax	Tax	Tax	Tax	Tax	Non-AMT
Size (millions)	$100.0	$33.4	$40.1	$82.3	$54.0	$49.0	$65.0	$151.2	$61.8	$50.8
Rating	Aaa	AA+	Aaa	Aaa	Aaa/ AAA	Aaa	Aaa	Aaa/ AAA	Aaa	Aaa
Pricing Date	8/6	10/15	11/9	2/10	4/12	5/12	7/20	8/10	8/10	11/9
Price	Par	Par	Par	Par	101.925	Par	102	Par	Par	Par
Type	New	New	New	New	New	Mixed	New	New	New	New
Ave. Life at 150% PSA (years)	8.7	8.5	8.6	8.5	8.5	7.6	8.5	8.5	8.6	8.5

Yield	1.92%	1.85%	1.68%	1.58%	2.02%	1.93%	2.125%	2.125%	2.05%	2.05%
Spread to 10yr US Treas. (bp)	+137	+111	+72	+43	+45	+24	+63	+77	+69	+59
Spread to 3% GNMA (at Dealer Prepay Speed) (bp)	+44	+11	-6	+11	+32	+17	+24	+45	+37	+13
Underwriter	RBC	Stifel	RBC	RBC	RBC	RBC	Jefferies	Wells	RBC	RBC

Underwriters. RBC was the senior manager; regular co-managers were J.P. Morgan, Piper Sandler and Wells Fargo. Monthly pass-through bonds are sold only to institutional investors, so there was no selling group.

Underwriter Fees. Management fees were appropriate, consistent with industry standards, and in the same range as fees for other housing issues of similar size and structure.

APPENDIX

MBS Yields. MBS yields are very relevant because investors can choose between purchasing MBS directly or buying Minnesota Housing's bonds backed by MBS. As described above, bond purchasers look as much to the spread between Minnesota Housing's pass-through bonds and MBS as they do to the spread between Minnesota Housing bonds and Treasuries or the tax-exempt Municipal Market Data index. Yields on all the indices have increased since 2021 Series C in August.

Type	Delivery	Coupon	Measure	Dec. 11, 2019	Mar. 9, 2020	May 13, 2020	Aug. 6, 2020	Nov. 9, 2020	Feb. 10, 2021	May 12, 2021	Aug 10, 2021	Nov. 9, 2021
GNMA	Current	3.0	Price	102.72	103.58	105.36	105.08	103.52	104.04	104.21	104.35	103.88
			Yield*	2.43%	2.07%	1.84%	1.48%	1.74%	1.47%	1.76%	1.68%	1.92%
			Dealer Forecast % PSA	224%	303%	306%	442%	510%	525%	384%	387%	345%
FNMA	Current	3.5	Price	102.69	104.14	105.48	105.58	105.63	106.33	105.56	105.77	105.72
			Yield*	2.61%	1.31%	0.80%	0.53%	0.79%	0.28%	1.35%	1.09%	1.38%
			Dealer Forecast % PSA	443%	735%	774%	787%	673%	681%	498%	530%	467%
10yr US Treasury	n/a	n/a	Yield	1.79%	0.54%	0.64%	0.55%	0.96%	1.15%	1.69%	1.36%	1.46%
10yr MMD	n/a	n/a	Yield	1.42%	0.78%	1.09%	0.59%	0.86%	0.69%	1.02%	0.88%	1.08%
GNMA % of 10-Year Treasury	n/a	n/a	Yield*	135.8%	383.3%	287.5%	269.1%	181.3%	127.8%	104.1%	123.5%	131.5%
GNMA % of 10-Year MMD	n/a	n/a	Yield*	171.1%	265.4%	168.8%	250.8%	202.3%	213.0%	172.5%	190.9%	177.8%
Minnesota Housing	Tax-exempt/ Taxable	n/a	Yield	2.47% na	na 2.365%	2.35% 2.45%	na 1.92%	na 1.68%	na 1.58%	na 1.93%	na 2.05%	2.05% na

* Yield at dealer forecast prepayment speed for new mortgages

PASS-THROUGH SINGLE FAMILY HOUSING BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	11/9/21		8/10/21		8/10/21		7/27/21		7/20/21	
Amount	$50,768,060		$61,764,185		$151,129,877		$24,829,558		$65,000,000	
Issuer	Minnesota HFA		Minnesota HFA		Virginia HDA		Texas DHCA		Colorado HFA	
Series	2021 Series D		2021 Series C		2021 Series A		2021 Series B		2021 Series J	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / AAA / -		Aaa / AA+ / -		Aaa / AAA / -	
Tax Status	Tax Exempt, Non-AMT		Taxable		Taxable		Taxable		Taxable	
Use of Funds	New Money		New Money		New Money		Refunding		New Money	
Maturity	2051		2051		2051		2051		2051	
Price	100.000		100.000		100.000		100.000		102.000	
Coupon/Yield	2.050		2.050		2.125		1.550		2.125C/1.86Y at 150% PSA	
Indicator	Indicative Yield 11/9/21	Spread	Indicative Yield 8/10/21	Spread	Indicative Yield 8/10/21	Spread	Indicative Yield 7/27/21	Spread	Indicative Yield 7/20/21	Spread
5-Year US Treasury	1.08	+97	0.82	+123	0.82	+131	0.71	+84	0.69	+117
7-Year US Treasury	1.32	+73	1.12	+93	1.12	+101	1.01	+54	0.98	+88
10-Year US Treasury	1.46	+59	1.36	+69	1.36	+77	1.25	+30	1.23	+63
3% GNMA I @ 100% PSA	2.51	-46	2.46	-41	2.46	-33	2.45	-90	2.48	-62
3% GNMA I @ Dlr Forecast	1.92 (345%)	+13	1.68 (387%)	+37	1.68 (387%)	+45	1.58 (417%)	-3	1.62 (431%)	+24
9-Year MMD	1.04	+101	0.81	+124	0.81	+132	0.76	+79	0.75	+111
10-Year MMD	1.08	+97	0.88	+117	0.88	+125	0.82	+73	0.81	+105
MBS PREPAY HISTORY (%PSA)										
Past 3 months	-		-		-		-		-	
Past 6 months	-		-		-		111%		-	
Past 12 months	-		-		-		112%		-	
Since issuance	-		-		-		152%		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)										
At 100% PSA	10.5		10.5		10.4		5.5		10.4	
At 150% PSA	8.5		8.6		8.5		4.9		8.5	
At 200% PSA	7.2		7.2		7.1		4.3		7.1	
At 300% PSA	5.4		5.5		5.3		3.4		5.4	
WEIGHTED AVERAGE MORTGAGE RATE	3.31%		3.27%		3.62%		5.10%		3.01%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	2.99%		2.97%		-		4.60%		2.50%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	358		359		355		163		359	
Notes										
Sr Manager	RBC Capital Markets		RBC Capital Markets		Wells Fargo		Barclays		Jefferies	

PASS-THROUGH SINGLE FAMILY HOUSING BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	5/19/21		5/18/21		5/12/21		4/21/21		4/13/21		3/31/21	
Amount	$8,759,834		$71,627,607		$49,021,977		$54,000,000		$16,286,857		$61,369,927	
Issuer	Pinellas Co. HFA (FL)		Ohio HFA		Minnesota HFA		Colorado HFA		New Mexico MFA		Texas DHCA	
Series	2021 Series B		2021 Series B		2021 Series B		2021 Series F		2021 Series B		Series 2021B	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / AAA / -		Aaa / - / -		Aaa / AA+ / -	
Tax Status	Taxable		Taxable		Taxable		Taxable		Taxable		Taxable	
Use of Funds	New Money		Refunding		New Money & Refunding		New Money		Refunding		Refunding	
Maturity	2051		2043		2051		2051		2042		2042	
Price	100.000		100.000		100.000		101.925		100.000		100.000	
Coupon/Yield	2.000		1.650		1.930		2.25C/2.018Y at 150% PSA		1.620		1.700	
Indicator	Indicative Yield 5/19/21	Spread	Indicative Yield 5/18/21	Spread	Indicative Yield 5/12/21	Spread	Indicative Yield 4/21/21	Spread	Indicative Yield 4/13/21	Spread	Indicative Yield 3/31/21	Spread
5-Year US Treasury	0.87	+113	0.83	+82	0.87	+106	0.81	+121	0.85	+77	0.92	+78
7-Year US Treasury	1.34	+66	1.29	+36	1.34	+59	1.24	+78	1.29	+33	1.40	+30
10-Year US Treasury	1.68	+32	1.64	+1	1.69	+24	1.57	+45	1.64	-2	1.74	-4
3% GNMA I @ 100% PSA	2.49	-49	2.49	-84	2.48	-55	2.45	-43	2.46	-84	2.51	-81
3% GNMA I @ Dlr Forecast	1.74 (401%)	+26	1.70 (411%)	-5	1.76 (384%)	+17	1.70 (378%)	+32	1.76 (374%)	-14	1.98 (331%)	-28
9-Year MMD	0.95	+105	0.95	+70	0.96	+97	0.85	+117	0.93	+69	1.04	+66
10-Year MMD	1.01	+99	1.01	+64	1.02	+91	0.93	+109	1.01	+61	1.12	+58
MBS PREPAY HISTORY (%PSA)												
Past 3 months	-		-		-		-		360%		-	
Past 6 months	-		-		-		-		382%		221%	
Past 12 months	-		282%		-		-		371%		250%	
Since issuance	-		214%		-		-		205%		222%	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)												
At 100% PSA	10.1		7.6		9.3		10.4		7.7		7.7	
At 150% PSA	8.1		-		7.6		8.5		-		6.4	
At 200% PSA	6.7		5.4		6.4		7.1		5.5		5.4	
At 300% PSA	4.8		4.1		4.8		5.4		4.1		4.0	
WEIGHTED AVERAGE MORTGAGE RATE	3.55%		4.46%		3.45%		2.95%		4.41%		4.93%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	4.10%		3.96%		3.17%		2.50%		3.91%		4.43%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	346		233		310		359		241		238	
Notes												
Sr Manager	RBC Capital Markets		J.P. Morgan		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		Jefferies	

PASS-THROUGH SINGLE FAMILY HOUSING BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	3/10/21		2/10/21		11/9/20		10/15/20		9/10/20		8/6/20	
Amount	$7,539,906		$83,327,541		$40,067,034		$33,399,638		$12,240,717		$100,000,000	
Issuer	Louisiana HC		Minnesota HFA		Minnesota HFA		Missouri HDC		Orange Co. HFA (FL)		Minnesota HFA	
Series	Series 2021A		2021 Series A		2020 Series E		2020 Series E		Series 2020B		2020 Series D	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -		- / AA+ / -		Aaa / - / -		Aaa / - / -	
Tax Status	Taxable		Taxable		Taxable		Taxable		Taxable		Taxable	
Use of Funds	Refunding		New Money		New Money		New Money		New Money		New Money	
Maturity	2041		2051		2050		2050		2050		2050	
Price	100.000		100.000		100.000		100 / 101.129		100.000		100.000	
Coupon/Yield	1.550		1.580		1.680		1.85 / 2.00C/1.85Y		1.650		1.920	
Indicator	Indicative Yield 3/10/21	Spread	Indicative Yield 2/10/21	Spread	Indicative Yield 11/9/20	Spread	Indicative Yield 10/15/20	Spread	Indicative Yield 9/10/20	Spread	Indicative Yield 8/6/20	Spread
5-Year US Treasury	0.80	+75	0.46	+112	0.44	+124	0.32	+153	0.26	+139	0.21	+171
7-Year US Treasury	1.20	+35	0.80	+78	0.70	+98	0.52	+133	0.46	+119	0.39	+153
10-Year US Treasury	1.53	+2	1.15	+43	0.96	+72	0.74	+111	0.68	+97	0.55	+137
3% GNMA I @ 100% PSA	2.54	-99	2.50	-92	2.57	-89	2.58	-73	2.46	-81	2.40	-48
3% GNMA I @ Dlr Forecast	1.94 (374%)	-39	1.47 (525%)	+11	1.74 (510%)	-6	1.74 (530%)	+11	1.49 (494%)	+16	1.48 (442%)	+44
9-Year MMD	0.97	+58	0.61	+97	0.76	+92	0.84	+101	0.74	+91	0.52	+140
10-Year MMD	1.05	+50	0.69	+89	0.86	+82	0.94	+91	0.84	+81	0.59	+133
MBS PREPAY HISTORY (%PSA)												
Past 3 months	278%		-		-		-		1082%		-	
Past 6 months	401%		-		-		-		898%		-	
Past 12 months	318%		-		-		-		303%		-	
Since issuance	248%		-		-		-		942%		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)												
At 100% PSA	6.2		10.4		10.5		10.5		10.2		10.7	
At 150% PSA	-		8.5		8.6		8.5		8.2		8.7	
At 200% PSA	4.7		7.2		7.2		7.1		6.8		7.3	
At 300% PSA	3.6		5.4		5.4		5.3		4.9		5.5	
WEIGHTED AVERAGE MORTGAGE RATE	5.46%		3.50%		3.36%		-		4.59%		3.61%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	4.96%		2.82%		2.94%		-		4.32%		3.24%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	182		358		358		-		346		359	
Notes							Included a par bond at 1.85% C/Y and a 101.129 premium bond at 2.00%C / 1.85%Y at 150% PSA					
Sr Manager	Raymond James		RBC Capital Markets		RBC Capital Markets		Stifel		RBC Capital Markets		RBC Capital Markets	

PASS-THROUGH SINGLE FAMILY HOUSING BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	5/13/20		5/13/20		3/9/20		12/11/19		11/13/19	
Amount	$18,000,062		$37,978,984		$43,964,432		$48,324,326		$90,294,924	
Issuer	Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA	
Series	2020 Series B		2020 Series C		2020 Series A		2019 Series H		2019 Series G	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -	
Tax Status	Tax Exempt, Non-AMT		Taxable		Taxable		Tax Exempt, Non-AMT		Taxable	
Use of Funds	New Money		New Money		New Money		Refunding & New Money		New Money	
Maturity	2050		2050		2050		2050		2049	
Price	100.000		100.000		101.000		100.000		100.000	
Coupon/Yield	2.350		2.450		2.50C/2.365Y at 150% PSA		2.470		3.020	
Indicator	Indicative Yield 5/13/20	Spread	Indicative Yield 5/13/20	Spread	Indicative Yield 3/9/20	Spread	Indicative Yield 12/11/19	Spread	Indicative Yield 11/13/19	Spread
5-Year US Treasury	0.31	+204	0.31	+214	0.46	+191	1.64	+83	1.69	+133
7-Year US Treasury	0.50	+185	0.50	+195	0.56	+181	1.74	+73	1.79	+123
10-Year US Treasury	0.64	+171	0.64	+181	0.54	+183	1.79	+68	1.88	+114
3% GNMA I @ 100% PSA	2.37	-2	2.37	+8	2.52	-15	2.63	-16	2.72	+30
3% GNMA I @ Dlr Forecast	1.84 (306%)	+51	1.84 (306%)	+61	2.07 (303%)	+30	2.43 (224%)	+4	2.58 (210%)	+44
9-Year MMD	1.02	+133	1.02	+143	0.73	+164	1.35	+112	1.50	+152
10-Year MMD	1.09	+126	1.09	+136	0.78	+159	1.42	+105	1.58	+144
MBS PREPAY HISTORY (%PSA)										
Past 3 months	-		-		-		191%		-	
Past 6 months	-		-		-		201%		-	
Past 12 months	-		-		-		162%		-	
Since issuance	-		-		-		191%		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)										
At 100% PSA	10.5		10.5		10.6		8.1		10.8	
At 150% PSA	8.6		8.6		8.7		6.7		8.7	
At 200% PSA	7.2		7.2		7.3		5.7		7.3	
At 300% PSA	5.4		5.4		5.5		4.3		5.4	
WEIGHTED AVERAGE MORTGAGE RATE	3.70%		3.70%		3.81%		4.68%		4.80%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.15%		3.15%		3.20%		4.40%		4.26%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	357		357		358		252		356	
Notes							Refunding portion is $43.394MM or 90% of total par; prepay history shown above relates to refunding portion only			
Sr Manager	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	